The present study was undertaken to evaluate the role of EXIM bank in export financing. The study analysed various programmes operated by EXIM bank for export promotion. In the course of analysis, the study has recognized the importance of export finance and reviewed the export finance facilities available in India. The study also undertook to understand the circumstances which led to the establishment of EXIM bank. The study also evaluated the impact of liberalisation measures on the bank’s performance. This descriptive cum analytical study provided valuable informations about the EXIM Bank’s operational performance in export financing. The main conclusions and suggestions have been summarized in this chapter.

7.1 SUMMARY AND FINDINGS

The role of trade in the economic development of a country is widely recognized. The classical and neo-classical economists attached so much importance to international trade in a country’s economic development that they regard it as a engine of growth. The economic progress of most of the present industrially advanced countries of the world is attributable to their ever-expanding external trade.

Neoclassical school of economists suggests that exports make major contributions to economic growth. There are usually four reasons mentioned for the support of this hypothesis: a) fostering specialization helps to benefit from the comparative advantages; b) utilizing the full capacity of the plant size, where domestic demand is less than the full capacity production; c) getting benefits of the greater economies of scale due to large market, and d) increasing the rate of investment and technological change. In addition competition in the world market may also help producer to reduce inefficiencies. The export promotion is an important consideration for the economy for a fast paced
economic development. What are the steps that can be taken to achieve the increase in exports?

Some major export promotion measures are: (a) Financial support for export marketing activities by companies (b) Export Marketing consultancy (c) Participation in International Trade Fairs (d) Outward Sales Missions, usually organized by Export Agency – sometimes led by Govt. Ministers (e) Inward Buyer Missions (f) General Market Research (g) Market/industry Sector Research (h) Company Specific Research (i) Trade Information (j) Export Credit Insurance (k) Exporter Training/ Awareness.

The creation of export promotion agencies is considered a crucial instrument to boost the exports of small and medium-sized firms. However, until the past decade the bulk of empirical literature has failed to find a positive impact of these agencies on exports (Hogan, Keesing and Singer, 1991 and Gencturk and Kotabe, 2001). Lederman, Olarreaga and Payton (2006) find that national export promotion agencies have on average a strong and statistically significant impact on exports. Arvind Panngariya (1999) argued that export credit can not be an effective measure of export promotion. Nogues (1989) provides more compelling evidence against export subsidies as a cost-effective instrument of export promotion. But Nogues (1989) also offers a comparison between the experiences of Brazil during the 1970s and Mexico during the 1980s. He finds that, despite export subsidies in virtually all Latin American countries, only Brazil during the 1970s and 1980s and Mexico during the 1980s achieved significant diversification of exports towards manufactures. Kedia and Chhokar (1986) found that export promotion programs in the United States have little impact, largely because of a lack of awareness about such programs. Seringhaus and Botschen (1991) surveyed the opinion of nearly 600 firms in Canada and Austria and found that export-promotion service use is low and that the programs are not tailored to the needs of exporters. Gencturk and Kotabe (2001) tested the link between program usage and export performance in a sample of 162 US firms and found that usage of export programs increases profitability, but not sales, which suggests that there are no externalities across
firms and that export programs represent a transfer from agencies to the exporting firm. Gencturk and Kotabe also found that experienced exporters benefit from government programs in terms of profitability more than new exporters. In the late 1980s, a World Bank report assessed EPAs in the developing world and argued that a consensus had emerged with a strong negative view of EPAs in developing countries (Hogan, Keesing and Singer, 1991). In a series of influential studies (Keesing and Singer, 1991, 1991a) the authors argued that EPAs had failed to achieve their goals and in many instances had a negative impact, except in those countries that already had favorable policies vis-à-vis exports, namely Singapore, Hong Kong, Korea, and Taiwan (Keesing, 1993).

The share of India in world trade has been 1.0 percent only. The balance of trade for India had been unfavorable for all the years after 1991. The BOT has increased from 1545.1 $ Million in 1991 to 7586.6 million in 2001-02 and to 39691.2% in year 2005-06. In view of the above, there is an urgent need of increasing India’s exports. A number of measures have been taken by the Government of India to improve export performance of the country. In the overall ambit of export promotion measures, one can broadly include some of the salient export assistance measures as contained in the Export-Import Policy; promotional and publicity campaigns undertaken in this country relating to the export effort and the support facilities being created by the government by way of infrastructural development and improving market capabilities to boost exports.

Among the various measures, as discussed above, essential for the promotion of exports, existence of adequate credit facilities is of fundamental importance. Because of prohibitive investments in export contracts and substantial delays involved in payment from importers abroad, exporters are forced to trade on credit. All other measures to encourage exports would be of little importance in the absence of proper finance facilities as only a few exporters would be self-sufficient to trade in competitive foreign market. If we can handle the financial side of exports correctly, there is no reason why our exports should not accelerate and the balance of payment problem be virtually nonexistent.
The promotion of exports requires strong financial support and assistance. *The absence of an efficient financial system will be a serious constraint for exporters.* In particular, first-time exporters will need facilities like trade financing, export insurance and financial guarantees. Financing, insurance and guarantees for exports are services covered by almost all Trade Promotion Organisations in developed countries and by about 60 per cent of those in developing countries. There is a close relationship between financing and successfully completing an export deal. Many export deals fail due to inadequate funding. In many cases, it is not because of the lack of appropriate funding sources, but from lack of knowledge about funding sources and how exporters can gain access to them.

The above discussion highlighted the importance of export finance in the export promotion which results in higher rate of economic and human development. The Indian government has also recognized the importance of export financing in increasing its exports. The government has taken various measures to increase the export financing facilities for Indian exporters. The study has reviewed various export financing facilities available in India.

In pre-independence period, the exports financing was mainly done by exchange banks. But after independence, it was entrusted to the commercial banks along with exchange banks. Many attempts have been made after independence by Reserve Bank of India, the Govt. of India and other agencies to provide sufficient flow of short, medium and long-term capital to exporters through commercial banks.

Institutional framework for providing finance comprises Reserve Bank of India, Commercial Banks, Export Import Bank of India and Export Credit and Guarantee Corporation. Finance, short or medium term, is provided exclusively by the Indian and foreign commercial banks which are members of the Foreign Exchange Dealer's Association. Reserve Bank of India, being the central bank of country, lays down the policy framework and provides guidelines for implementation.
The Reserve Bank of India function as refinancing institutions for short and medium term loans respectively, provided by commercial banks. RBI has initiated several measures in the recent years to ensure timely and hassle free flow of credit to the export sector. These measures include rationalization and liberalization of export credit interest rates, flexibility in repayment/prepayment of pre-shipment credit, special financial package for large value exporters and export finance for agricultural exports.

Commercial banks provide loans to exporters for short, medium and long-term through their various schemes like: Export Letter of Credit, Packing Credit Advance, Negotiation, Purchase of Bills, consignment exports, bills for collection, registering export contracts exports interest subsidy and forward Contracts. The share of export credit in total bank credit has shown increasing trend initially after year 1992. The share has increased 10.83 percent in 1992-93 to 12.97 percent in 1995-96 but thereafter it has continuously declined and it was 5.37 percent in 2007-08. The Export credit lending is part of the commercial bank’s priority sector lending for which the government’s set target is 18% of total credit. The sharp dip in the export credit by commercial banks to exporters is likely to adversely affect the exports. Besides commercial banks, Export Credit & Guarantee Corporation (ECGC) also plays an important role through its various policies and guarantees providing cover for commercial and political risks involved in export trade. Besides these organisations, the Government of India, Indigenous Bankers, State Financial Corporations, local money lenders, manufacturers, wholesalers etc. are also engaged in extending financial help to the exporters.

Before the EXIM Bank came into existence, a battery of institution were found engaged in financing the export trade such as the Reserve Bank of India, IDBI and ECGC. Commercial Banks used to provide pre-shipment or post-shipment credit to the exporting community whether the projects might be of manufacturing nature or of simple trading. Usually, price and availability of finance are two important factors in the task of increasing exports. Commercial Banks besides IDBI used to provide finance to exporters.
But, it is important to note that export credit is not a priority for commercial banks. Thus, the supply of credits by commercial banks was likely to be inadequate and this factor also led to the emergence of Export-Import Bank of India.

The need for setting up an institution of this kind arose because of the fast growth of our engineering goods exports and in the export of turnkey projects, construction services and consultancy. Our manufacturers of exports goods were facing severe competition in export market from the exporters of developed countries whose promotional drive is backed by high pressure salesmanship and enormous resources. It was considered that an export-import bank, a separate institution could play useful role in providing the necessary credit. The Indian Institution of Foreign Trade in its study, *Export Credit and Insurance Facilities in India and Abroad*, released in 1970, suggested that an export-import Bank should be established to co-ordinate the activities of all the Banking institutions in export business and also help in giving a new direction and purpose to the export departments of individual banks. The *B.D. Kumar Committee*, which submitted its report in 1975, again pleaded for setting up of an export-import Bank type institution to finance and promote exports of engineering goods and turnkey projects.

Therefore, keeping in view the above recommendations, the proposal for setting up an export-import Bank took concrete shape under the Chairmanship of the then Commerce Minister, Sh. Mohan Dharia. Export-Import Bank of India Bill, 1981 was passed by both the Houses of Parliament and bank was set up on January 1st, 1982 for the purpose of financing, facilitating, promoting international trade of India. The inauguration of the export-import Bank of India by the then Finance Minister (Mr. Pranab Mukherji) fulfilled the dream of our exporters.

EXIM Bank was set up with an authorized capital of Rs. 200 corers. The paid up capital of EXIM Bank on 31st Dec. 1982 was Rs. 75 corers, wholly subscribed by the Govt. of India. Besides, EXIM Bank was permitted to raise resources from the open market both in India and outside India. It is authorized to borrow from RBI and Govt. of
India. It has been ensured that the EXIM Bank does not suffer for want of resources. As at March 31, 2008, the Bank had a paid-up capital of Rs.11.0 billion. As at March 31, 2006, net worth of the Bank was Rs.32.05 billion. The Bank also raises funds from domestic and international markets. In 1982 Bank established with an authorized capital of Rs. 200 crores and paid up capital of Rs. 750 millions which has increased to Rs. 2568 million on March 1991. The authorized capital of the Bank has increased to Rs. 2000 crores (20000 millions) in the year 2007-08.

Finance for exports is needed at five stages. First, exports may need finance to develop an exportable product. Second, finance is needed to upgrade export production through acquisition of new equipment’s, ongoing technology. Third, pre-shipment finance is needed to acquire inputs that get converted into an export product. Fourth, finance may be needed for systematic marketing activities. Fifth, buyer’s abroad may need credit terms to stimulate purchase. The EXIM Bank provides finances to the exporters at all five stages. EXIM Bank now serves as a single source for export finance.

The EXIM Bank is an apex bank in the field of export financing. EXIM Bank plays a significant role in promoting the exports by providing finance through various lending programmes, by providing guarantees and other services. The EXIM Bank helps the exporters by making available to them various types of advisory services and necessary information regarding the overseas markets, economical and financial conditions in the buyer’s countries, past performance of the borrowers, drafting the exports contracts on the deferred payment basis. It advises the exporters about the type of credit terms, security arrangements, documentation and other clauses to be incorporated in the contract etc. The EXIM Bank is the coordinator of the working Group Mechanism for clearance of project and services Exports and deferred payment exports. The Bank also coordinates the activities of various institutions engaged in export promotion to facilitate the foreign trade of India.
EXIM Bank operates a variety of export financing programmes for Indian Exporters, Commercial bank and overseas buyers and institutions. All these financing programmes of EXIM Bank are discussed under funded programmes and non-funded programmes. EXIM Bank also operated some other promotional services such as co-ordination with different export financing agencies, market access studies for exporters; these facilities are also discussed in this chapter.

EXIM Bank helps exporter in variety of ways under various financing programmes. The EXIM bank provides export financing for Indian exporters, overseas buyers and commercial banks. EXIM Bank of India has been both a catalyst and a key player in the promotion of cross border trade and investment. Commencing operations as a purveyor of export credit, like other Export Credit Agencies in the world, EXIM Bank of India has, over the period, evolved into an institution that plays a major role in partnering Indian industries, particularly the Small and Medium Enterprises, in their globalisation efforts, through a wide range of products and services offered at all stages of the business cycle, starting from import of technology and export product development to export production, export marketing, pre-shipment and post-shipment and overseas investment. EXIM Bank of India has been the prime mover in encouraging project exports from India. The Bank provides Indian project exporters with a comprehensive range of services to enhance the prospect of their securing export contracts, particularly those funded by Multilateral Funding Agencies like the World Bank, Asian Development Bank, African Development Bank and European Bank for Reconstruction and Development.

The Bank extends lines of credit to overseas financial institutions, foreign governments and their agencies, enabling them to finance imports of goods and services from India on deferred credit terms. Exim Bank’s lines of Credit obviate credit risks for Indian exporters and are of particular relevance to SME exporters.
The Bank's Overseas Investment Finance programme offers a variety of facilities for Indian investments and acquisitions overseas. The facilities include loan to Indian companies for equity participation in overseas ventures, direct equity participation by Exim Bank in the overseas venture and non-funded facilities such as letters of credit and guarantees to facilitate local borrowings by the overseas venture.

The Bank provides financial assistance by way of term loans in Indian rupees/foreign currencies for setting up new production facility, expansion/modernization/upgradation of existing facilities and for acquisition of production equipment/technology. Such facilities particularly help export oriented Small and Medium Enterprises for creation of export capabilities and enhancement of international competitiveness.

Under its Export Marketing Finance programme, EXIM Bank supports Small and Medium Enterprises in their export marketing efforts including financing the soft expenditure relating to implementation of strategic and systematic export market development plans.

The Bank has launched the Rural Initiatives Programme with the objective of linking Indian rural industry to the global market. The programme is intended to benefit rural poor through creation of export capability in rural enterprises.

In order to assist the Small and Medium Enterprises, the Bank has put in place the Export Marketing Services (EMS) Programme. Through EMS, the Bank seeks to establish, on best efforts basis, SME sector products in overseas markets, starting from identification of prospective business partners to facilitating placement of final orders. The service is provided on success fee basis.

EXIM Bank supplements its financing programmes with a wide range of value-added information, advisory and support services, which enable exporters to evaluate
international risks, exploit export opportunities and improve competitiveness, thereby helping them in their globalisation efforts.

The export finance extended by EXIM Bank after 1992-93 under both funded and non-funded schemes is analysed using index number approach and fitting trend equation. The analysis is also carried out at disaggregate level dividing export assistance into programme wise, region wise and industry wise.

The bank extends financial assistance under funded and non-funded programmes. During the period 1992-93 to 2007-08, the approvals, disbursements and loan assets under funded programmes have increased at the trend rate of 22.9 percent, 22.1 percent and 17.7 percent respectively. The index number of approvals during the period has increased to 2062.9 for disbursements and 1562.3 for loan assets in the terminal year from 100 in base year. The non-funded programmes have also shown significant increase during the period 1992-93 to 2007-08. The guarantees approvals, issuance and portfolio have increased at the trend rate of 25.5 percent, 24.0 percent and 9.8 percent respectively. The index number of guarantee issuance have increased from 100 in base year 1992-93 to 1734.5 in 2007-08.

The study have analysed the performance of EXIM Bank in terms of meeting its approvals. The study find that during the period 1992-93 to 2007-08, average disbursement as percentages of approvals has been 78.44 % for funded programme and 79.71 for non-funded programmes. For the total assistance by EXIM Bank the average ratio of disbursement as percentage of total approvals has been 78.61. It has fluctuated between a high of 116.11 in 1993-94 and a low of 55.16 in 1994-95. The disbursements as percentage of approvals have ranged from 53.6 to 124-6% for funded programmes and from 47.51(1997-98) to 120.58(1994-95) for non-funded programmes.

The Bank provides the loan and advances in both Indian Rupee as well as in foreign currency. The data in term of currency denomination of loan amount are available since 2000-01. The study found that In the year 2000-01, 74.68 percent of total loan &
advances was provided in Indian Rupee and 25.32 percent in Foreign Currency. The study found that the share of Rupees assistance in the total loan has declined over the period and it has declined to 56.0 percent in 2007-08. This shows that loans and advance in Foreign Currency is being demanded more. The possible reason for this trend may be outward direct investment and partial convertibility of rupees.

The share of the short term loans has shown increasing trend during the period. In the first year for which data is available, the short term accounted only for 6.27 percent of total assistance. The short term loans have increased to 26.0 percent in the terminal year 2007-08. This points a shift in the financing programmes of the EXIM bank. It means the Bank have increased focus on to increasing the share of short-term loans as desired by the customers.

The study found that the export assistance granted by EXIM bank is limited to few regions. During the period 1982-92, 47.11 percent of the assistant was granted to the West Asia, followed by Sub-Saharan region (13.06%) and North Africa (12.47%). The European and CIS countries have received only 1.24% of the total export financed during pre-reform period, followed by America (3.49%). South Asia and South East Asia region has received assistance of Rs. 1834.9 millions (11.18%) and Rs. 1881.7 millions (11.46%).

For the period 1992-93 to 2001-02, the share of West Asia has declined significantly to 31.49% from 47.11% in the pre-reform period. The share of North Africa and South East Asia has been same for both pre-reform and post reform period. The share of Sub-Sahara Africa has declined significantly from 13.06% to 0.68% whereas share of Europe and CIS have increased significantly from 1.24% in 1982 - 1992 to 10.92% in 1992-2001. The share of America have also increased significantly 3.49% to 19.16 %.

In the pre-reform period of 1982-92, the maximum assistance was provided to construction goods and services sector which accounted for 24.2 percent of the total assistance, followed by 16.1 percent for capital and engineering goods and 15.4 percent
for transport vehicles. The assistance for leather and leather products sector was 1.5 percent and for textiles and garments sector was 2.0%. The data presented in column-3 of the table shows that the sectoral distribution of the assistance has undergone significant changes during the post reform period. The share of Textiles and Garments has increased significantly from 2.0 percent in pre-reform period to 12.74 percent in 1992-2002 and to 13.0 percent for 1998-2008. The share of Chemicals, Drugs and Fertilizers have also increased significantly from 2.4 percent in pre-reform period to 19.02 percent during post-reform period. Whereas the share of construction goods and services sector have reduced significantly over the study period.

The share of funded and non-funded programmes in total assistance advances has fluctuated over the study period. The share of assistance of the funded Programmes in the total assistance was 75.99 and non-funded programmes accounting for 24.01. In the next year 1983, the share of non-funded programmes have increased to 25.71 percent. During the rest of the pre-liberalisation period, the underlying trend was reduction in the share of non-funded assistance and it was 3.78 percent in the year 1991-92 and increase in the financial assistance under funded programmes. In the post reform period also most of the assistance was provided under funded programmes only. The average share of funded finance in total finance was 89.31 percent for post-liberalisation period which is slightly lower than the pre-liberalisation period (91.12).

The study during the analysis of the performance of the EXIM Bank, have examined the programme wise financial assistance.

The study found that export assistance under export contract programme has increased significantly during the period from 1992-93 to 2007-08. The amount sanctioned under this programme have increased at the trend rate of 19.36 percent. During the year 1992-93, sixty nine contracts worth Rs. 12.70 billions, covering 24 countries were secured by Indian contractors whereas during 2007-08, 977 contracts amounting to Rs. 326.83 billion covering 92 countries were secured by 147 Indian exporters.
EXIM Bank offers the following Export Credit and Guarantee facilities, which can be availed of by Indian companies, commercial banks and overseas entities. Disbursement under Assistance under Credit Assistance and Guarantee Programme have increased from Rs. 17.48 billion in 2001-02 to Rs. 112.72 billions in 2007-08. The issuance of Guarantee under this programme have increased from Rs. 1.04 billions in 1992-93 to 20.39 billions in 2007-08 increasing at the trend rate of 24.58 percent per annum.

The bank has placed special emphasis on extension of line of credit as an effective market entry mechanism with particular focus on small and medium enterprises. The assistance under this programme have increased from 95 millions in 2001-02 to 704.1 millions in 2007-08. The Bank operates a range of financing programmes aimed at enhancing the export competitiveness of Indian companies. The assistance under this programme have increased from 10.47 billions in 1995-96 to 142.63 billions in 2007-08. The bank provides finance to EOUs to increase their exports. During the period 1992-93 to 2007-08, bank has advanced a total of Rs. 104.73 billions of assistance to EOUs. The performance of the bank in meeting its approval under this programme has been low. The Bank extends finance to eligible units in Textile and Jute Industries under the Technology Upgradation Fund Scheme to enable them to upgrade their manufacturing facilities. Bank sanctioned loans aggregating Rs. 1.80 billions to thirteen companies and disbursements aggregated to Rs. 1.66 billions in the year 2000-01.

The comparative analysis of EXIM bank export financing programmes prior and after liberalisation period are discussed in Chapter-6. The chapter also discussed various trade liberalisation measure undertaken after 1991-92. For comparative analysis, the performance of EXIM Bank export financing programmes during pre-liberalisation period are also analysed in this chapter and the results are compared with the export financing performance during post-liberalisation period presented in chapter-5. To examine the impact of liberalisation policies and measures on export financing, the chapter attempts comparative analysis using various parameters such as share of EXIM bank
finance as a percentage of total exports and as a percentage of total export credit in India, the change in composition of export finance under funded and non-funded programmes, the change in region wise and industry wise assistance. The financial performance of the EXIM Bank before and after liberalisation is also discussed in this chapter.

The Economic scenario in general and external sector in particular has undergone significant changes after the introduction of the economic reforms in 1991-92. The study attempted to assess the impact of liberalisation measures on the EXIM bank financing and performance. For analyzing the impact of Liberalisation, the study compared the ratio of EXIM bank finance with the total exports and share of EXIM bank credit in total credit. EXIM Bank export financing during pre-reform period and post-reform period shows that the percentage share of EXIM Bank Export Finance in total export was 2.67 percent in the beginning of its operation in 1982-83. The share has steadily increased to 4.53% in 1986-87, after showing a decrease in 1987-88(4.17%) it has again increased to 4.71% in 1988-89 and thereafter it has shown declining trend and has been less then 2% for most of the period upto 2001-02. Thereafter it has shown continuously increasing trend and the share has increased to 4.56% in the terminal year 2007-08. The above analysis clearly shows that EXIM bank was not able to meet the increasing demand of export financing in the initial decade of liberalisation period.

If we compare the growth rates of EXIM bank financing during pre-reform period and post-reform period, we find that during pre-reform period the export financing have increased at the trend rate of 18.45 percent whereas during the post reform period it has increased at the trend rate of 22.30 percent which is significantly higher than pre-reform period.

The study found that the share of EXIM bank credit to exporters in total export credits by all banks has shown declining trend during the post-reform period. The share of EXIM bank in total export credit was 13.61% which has increased upto 18.66% in 1985-86 and was in two-digit during pre-reform period. The share was in single digit during the decade of nineties and it was as low as 4.23% percent in 1998-99. The share
has shown rising trend in the period after 2001-02 and was 24.28% in 2006-07. The share 
was 22.01% in the terminal year 2007-08. The above analysis clearly shows that the 
performance of EXIM bank vis-à-vis other banks during post-reform period has 
deteriorated. Although, the share of EXIM bank in total exports as well as in total export 
credit has increased significantly during the last six years.

The study also attempted to know whether liberalisation measures have resulted 
in the changes in direction of the export finance and the industry wise composition of the 
export credit. The study found that policy changes after 1991-92 have resulted into some 
changes in the direction of flow of assistance to different regions. Likewise, the 
significant changes were observed in the sectoral distribution of export financing help by 
EXIM bank after introduction of Economic reforms in the country. The reason for this 
shifting in the sectoral distribution seems to be the result of the economic liberalisation 
measures undertaken by the government. These trends in the changes in the sectoral 
distribution are in line with the changes in the composition of Exports of the country. We 
have also decomposed the export assistance under funded and non-funded programmes 
during post reform period and pre-reform period. The study found that liberalisation has 
not significantly altered the composition of EXIM bank finance in term of funded and 
non-funded assistance. The average share of funded finance in total finance was 89.31 
percent for post-liberalisation period which is slightly lower than the pre-liberalisation 
period (91.12).

The study also compared the financial performance of the EXIM bank during both 
periods. We found that in the first year of its operation profit after tax was only 63 
millions. The profit after tax had shown a continuously rising trend during the pre-reform 
period and it had increased at the trend rate of 18.47 percent per annum, reaching to 376 
millions in the year 1991-92. The profits have shown rising trends during post-reform 
period also increasing from 467 millions in 1992-93 to 3330 millions in the last year 
2007-08, increasing at the trend rate of 11.04 percent per annum. The number of 
employees were 69 at the start of its operation. Although the number have increased by
60% in the next year to 109 in 1983 but thereafter the staff strength have not increased significantly. Although this points to the better efficiency in manpower utilization. But interaction with staff revealed that this has constrained their operations and adversely affected them.

No definite trend was observed in the movement of its Capital Assets Ratio and for the period prior to liberalization, the average Capital Assets Ratio was 20.22 percent and for the post reform period the average was 22.32 percent which shows slightly better performance as compared to pre-reform period. The study found significant increase in CAR in the year 2001-02 33.1% as against 23.8 percent in the previous year 2000-01. The average of the PBT as percentage of the capital employed during pre-liberalisation period was 11.68 whereas for the post-liberalisation period the average of the ratio is 35.84 which is significant improvement. This points that the profitability of the Bank in comparison to the capital has increased significantly. Same trend was observed in the PBT to net worth ratio which is a measure of a company's profitability on the total investment. The average of the ratio has been 8.83 and 14.21 percent for the pre-reform and post-reform period respectively. This shows that profitability of the bank have increased during post-liberalisation period.

7.2 SUGGESTIONS

The above analysis has shown that the EXIM Bank has played a significant role in sustaining the export growth through finance, consultancy and advisory services. However, to improve the efficiency and productivity, the following suggestions are offered:

- The share of bank’s export credit in total bank credit has declined continuously from 12 % to 5% in last decade. Export credit is part of the bank’s priority sector lending for which the government’s set target is 18% of total credit. The government, RBI and export credit institutions should take appropriate and effective steps to increase the export credit to the desired levels.
• It is observed that despite having interest at reduced rate for export credit, the rate of interest charged by EXIM Bank is still higher compared to other countries. EXIM Bank’s interest rate varies from 6 percent to 12 percent. It is significantly less than the countries such as Pakistan, Japan, China where interest rate is 3 percent, 4 percent and 5 percent respectively. Therefore, EXIM Bank should make efforts to lower down the rates so that Indian exporters can face foreign competition. This is particularly relevant in present scenario where the rate of interest in developed economies is less than 1 percent.

• Taking into account the fast changing international economic environment, structure of interest rates should be continuously reviewed in such a way that these rates may be charged in accordance with the nature of the commodities and region to which exports are being made. This will help in improving the export competitiveness of India’s exports.

• From our analysis it emerged that some of the schemes viz., Buyer’s Credit, Overseas Investment Finance, Agency Credit Line, had less share in total financial assistance given by it. The efforts should be made to provide more finance through these schemes. This will relieve the exporters from making arrangements for these facilities.

• The Bank should conduct techno-marketing studies for expanding exports to the markets also like, Russia, Europe, China, America, Africa etc. and to other emerging markets, as EXIM Bank’s finances under various schemes is concentrated to West Asia, Africa and South East Asia.

• Overseas agents are not allowed commission under Indian lines of credit, so, they show little interest in such exports from India. Therefore, it is suggested that some incentives in the form of commission should be allowed under lines of credit.
• Bank charges commission towards bid bond, and advance guarantee for the project exports vary between 2.5 percent which is excessive. It is one percent in the countries like Japan and South Korea. Due consideration should be given to remove this difference.

• The EXIM Bank has introduced Export bills rediscounting Programme for commercial banks, which provide pre-shipment credit to exporters. It means, commercial bank provides pre-shipment advances to exporters and in turn EXIM Bank makes payment to banks by rediscounting the bills. Such an activity is only transfer of funds from one bank to the other banks. It is right that branches of EXIM Bank are not wide spread as those of commercial banks, but EXIM Bank can provide this finance through making the commercial bank its agents. EXIM Bank can allocate funds to commercial banks for providing export credit and they can get a commission for this task. In this way, this business will be more remunerative to banks and they will show much interest.

• EXIM Bank should not limit its operation to provide export credit finance only. As the Bank is established with a broad objective of promoting foreign trade of India, therefore, it should enlarge its operations resulting growth exports of major industrial sector.

• EXIM Bank should hold meeting with the EXIM Bank of other countries like that of U.S.A., Japan, China in investigating potential areas of co-operation. One possibility exists where both the EXIM Banks may call on to then their respective country’s role in third country’s projects. This type of co-financing has been utilized by U.S. EXIM Bank with other countries to some extent.

• There are individuals who need loans for export purposes but they are unaware of the process of taking loans from EXIM Bank. Thus, different public relation programmes are required to be undertaken to acquaint entrepreneurs/exporters about the procedures and other related matters.
• The bank should expand its branches to enable it to give support to the drive for export promotion and provide its services to all exporting community. Also, the efforts should be made to maintain the co-ordination among existing offices. The size of the staff is too small (1:16) to handle the growing need of export financing. The EXIM Bank should open its new branches in the Export Processing Zones and Special Economic Zones to extend its reach.

• With fast changing business environment at home and overseas, business all over the world are forced by market imperatives to upgrade, restructure and innovative approach. The EXIM bank should adopt IT-savvy and people centric approach to position itself to respond to the new challenges and opportunities.

• The efforts should be made to improve the actual disbursements of the sanctions in case of funded programmes and issuance of guarantees in case of non-funded programmes. The performance of the bank in terms of meeting its sanctions have been around 83 percent. The efforts should be taken for fully utilisation of the sanctioned amount.

• The performance of the EXIM bank as a result of liberalisation measures adopted by government have not shown any significant improvement. In fact, the liberalisation regime has thrown many challenges to the EXIM bank. The bank was unable to meet the growing demand of export credit during initial decade of post-reform period and it seems that it was not geared to face the competition from other export credit agencies. The bank should initiate effective steps to increase its share in export credit. Diversification of its export financing programmes and effective implementation of its existing programmes can help in meeting its objective of becoming premier institute in export financing.

• In the post-WTO and globalised world, the booms and recession spread quickly. The EXIM Bank should increase its Research and Development activities to
provide timely advice and information to the exporters. The bank should provide hedge to the exporters in reducing the risks of these external and internal shocks. Increase in its non-funding assistance can help the exporters to face these shocks.

The study found that EXIM Bank has come a long way since its birth in the early eighties, and has evolved as a strong, multi product, diversified organization, constantly striving to reach out to its customers as a facilitator, promoter and partner in the quest for excellence, quality and growth. With a fast changing business environment at home and overseas, fuelled by the winds of globalization sweeping across national frontiers, business all over the world are forced by market imperatives to upgrade, restructure and innovate in order to stay ahead in the race. EXIM Bank, with its lean and agile structure, customer-focused and innovative approach, IT-savvy and people-centric work culture is well positioned to respond to new challenges and opportunities.

Export-Import Bank of India was established for providing financial assistance to exporters and importers, and for functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade and for matters connected therewith or incidental thereto. The bank has been successful in fulfilling this objective to a large extent. But the growing challenges of financial globalisation and integration of world economy is posing many new challenges to its position. The bank is finding it increasing difficult to maintain its share in export credit. The bank should continuously strive for meeting these challenges.