CHAPTER-2

THE STUDY – ITS OBJECTIVE AND RESEARCH METHODOLOGY

Economic Development is the process of economic and social transformation. This process often follows a well-ordered sequence and exhibits common characteristics across countries (Thirlwall 1999). Despite many constraints—stagnant social and economic situations—urgent economic development is the quest of every nation (Todaro 1997). In the course of struggling with the negative effects of internal and external forces, many countries have been incapable of solving ill socio-economic rigidities and still economically weak to find their development path. Consequently, they are driven in quicksand of poverty, unemployment, inequality and socioeconomic unrest. Foreign trade is considered as an essential factor for accelerating the path of economic development. Most countries are involved into foreign trade to create employment, raise propensity to save, increase foreign exchange earning, and raise the productivity of investment moving from less productive use to high productive use (Rostas 1996).

2.1 LITERATURE SURVEY

The export finance is an important component of export promotion measures undertaken by the government. The studies relating export finance to export promotion are very few. In this section we present the various studies relating to the export credit and guarantees.

2.1.1 Studies Showing Need of Export Credit Programmes

Recovering non-payments is an important issue which distinguishes selling at home from selling abroad. If non-payments occur in the home market, sellers can seek legal actions under the judicial system of their country to recover the non-payments.

Internal forces are supposed to be poverty, unemployment, illiteracy, terrorism, political instability, geographical rigidities, socio-economic unrest etc. External forces are foreign invasion, foreign policies, peripheral location, fixation of quotas etc.
However, if non-payments occur in trading abroad, recovery can be difficult and expensive, depending on legal provisions set up by a particular importing country. Baron (1983) and Posner (1997) explain that the risks of non-payment associated with foreign markets can be due to political and economic conditions as well as the commercial practices of importing countries. Moreover, private sources of insurance and/or guarantee coverage are often reluctant to cover non-payments due to political risks such as wars, revolutions, or civil disturbance in foreign countries (Celi and Czechowicz, 1985).

Rienstra-Munnicha and Turvey (2002) empirically show that there is a negative relationship between export values and credit risks tagged on different importing countries. This implies that the export supply to an importing country with a high credit risk of non-payments is less elastic relative to the export supply to the importing countries with a low credit risk. Public provisions of export credit programs (ECPs) to assist exporters in increasing exports in risky foreign markets have a long historical development. According to Carr (1939), in 1919, the British government was the first to establish its ECPs. Following the lead of the British government, many developed, developing, and other countries established their ECPs. The governments that established these programs considered them useful policy instruments and a means of encouraging their producers to expand and diversify exports. These ECPs were thought

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\(^2\) Many studies seem to provide different names for export credit programs that are partly and/or solely provided by an exporting government’s agency such as ‘officially supported export credit programs’, ‘government-supported export credit programs’, or ‘back-supported export credit programs’. According to the OECD (1998), officially supported export credit programs are programs with the financial and provision involvement of government such as: (i) directly offering credit, (ii) offering interest rate subsidies, (iii) assuming risk for private loans, and (iv) offering supported insurance to private lenders.

\(^3\) The first group of followers was developed countries, which included France, Spain, Italy, Japan, the United States, and Canada. After the oil shock of 1970, developing and other countries such as Argentina, Brazil, Columbia, Czechoslovakia, Hong Kong, Hungary, India, Israel, Jamaica, Mexico, Pakistan, Peru, Poland, the Republic of Korea, Uruguay, and Yugoslavia also developed their export credit insurance programs. Their ECPs are different in terms of the degree of each country’s government involvement in providing and financing them (UNCTAD, 1976).
necessary to improve their trade balance to increase their foreign exchange reserves, and to reduce their national unemployment (Mutharika, 1976). Furthermore, according to the United Nations Conference on Trade and Development (UNCTAD) (1976), it has long been claimed that there are at least three ‘direct benefits’ arising from ECPs to domestic countries that provide them: (i) creating export promotion value by protecting exporters from potential losses due to non-payment risks associated with importing countries (importers), (ii) providing collateral value for exporters in securing export financing from commercial banks or other private financial institutions, and (iii) reducing the cost of collecting information about credit standing of importing markets. In addition, these programs were thought of providing indirect benefits to importing countries which allow them to delay repayments or reduce the cost of import bills. These benefits enable them to import goods and services that were necessary to them even if they had little or did not have hard currencies at hand (UNCTAD, 1976).

The importance of export credits in the trade of manufactured and agricultural goods has been apparent, especially during periods of economic and financial crises in importing countries, such as the oil shock in the 1970’s, debt crises in the 1980’s, and the financial bubble in the 1990’s. For instance, the International Monetary Fund (IMF) recommended that the debt crisis of least-developed and developing countries could be alleviated if the export credit agencies (ECAs) of developed countries resumed their ECPs to those countries that had negotiated their debt payments with the Paris Club and had shown signs of economic recovery. The ECPs would provide vital short-term liquidity and facilitate the imports of capital goods that were necessary to renew their economic growth, since following their debt crisis, most foreign commercial banks and other financial institutions were reluctant to lend to them (Brau et al., 1986).

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4 The Paris Club is an informal group of creditor governments that meet on a regular basis in Paris to reschedule bilateral debts. Creditors meet with a debtor country in order to reschedule its debts as part of international support provided to a country that is experiencing debt-servicing difficulties and is pursuing an adjustment program supported by the IMF (Ross and Harmsen, 2001).
However, the flow of export credits to least-developed and developing countries is not free from controversy, and the use of ECPs has become a highly politicized issue in trade policy (Abraham and Dewit, 2000). Prior to multilateral agreements among member countries of the OECD to establish benchmarks on credit terms and conditions offered through ECPs, the ECAs of different countries aggressively used their EPCs to underbid their competitors to win export contracts. Favorable credit terms of export credits included lower interest rates or longer repayment periods than the private markets would offer to importing countries. Favorable conditions of export credits included direct loan credits, tied and/or untied aid, and mixed credits offering to importing countries. Consequently, the earlier practices of ECPs were seen as export credit races which became expensive to finance and difficult to control (Fleigsig and Hill, 1984; Fitzgerald and Monson, 1988; and Rodriguez, 1987). They contended that such practices are inefficient use of financial resources to win export contracts because the export credit races give significant power to importing countries to bargain for more favorable credit terms and conditions for their import contracts among different exporting countries. This would limit export opportunities for those exporting countries that have limited financial resources in providing ECPs that are capable to match or underbid offerings in assisting their exporters to win export contracts even though these countries are efficient producers. They concluded that these programs are an implicit form of export subsidies and distort trade flows if ECPs offer lower interest rates and/or longer repayment periods to importing countries in which the private markets would not offer.

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5 Tied aid is aid which is in effect tied to the procurement of goods and/or services from the donor country and a limited number of other countries. Untied aid is aid whose proceeds are fully and freely available for procurement of goods and/or services from all OECD countries and substantially from non-OECD countries. A mixed credit is a mixture of the direct loan credit and grant element (or the subsidy on the loan) as foreign aid to produce concessional financing packages having a grant element between official export credits and official development assistance (OECD, 1998).
2.1.2 WTO and Export Credit Programmes

The question whether ECPs are an alternative form of export subsidies is overheated and called for the World Trade Organization (WTO) to discipline the use of such trade policies in promoting exports. By integrating the disciplinary guidelines of the OECD, the WTO member countries already agreed on the disciplinary rulings in the use of ECPs for manufactured goods. At the present, disciplinary rulings on the use of ECPs for agricultural products are still part of ongoing negotiations under the Committee on Agriculture of the WTO. In particularly, the outcomes are hinged on the agreement of implementing the Article 10.2 of the WTO’s Agreement on Agriculture.

On August 1, 2004, the WTO General Council reached a decision on the framework to continue with the ‘multilateral’ trade negotiations under the Doha Development Agenda (DDA). The framework refers to the “July Package”, which includes the future elimination of all forms of export subsidies and better disciplines on export credits, food aid, and state trading enterprises. The European Union (EU) has advocated that they are willing to reduce their direct export subsidies if the United States (US) and other countries are willing to reduce their export credits, state trading enterprises, and food aid. In addition, many developing countries expressed their concerns in a fear of high import prices if Export Credit Programmes are phased out (WTO, 2000, 2001a, and 2001b).

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6 The rulings are codified within the Article 3 of the Subsidies and Countervailing Measures (SCM) Agreement. Two specific disciplinary rulings: item (k) provision regarding interest rate subsidies, and item (j) provision regarding risk premium subsidies.

7 Article 10.2 states that, “The WTO member countries undertake the development of internationally agreed upon disciplines to govern the provision of export credits, export credit guarantees, or insurance programmes and, after agreement on such disciplines, to provide export credits, export credit guarantees, or insurance programmes only in conformity therewith”, (WTO, 1995).
2.1.3 Studies Showing Impact of Export Promotion Agencies

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). Import substitution policies in developing countries and some of their management weaknesses have been noted as the main explanatory causes for this result. In the 1990s, as the strong anti-trade policy bias vanished, new empirical evidence suggested that the impact could be positive.

Rose (2005) in a seminal cross-country study linking foreign missions (embassies and consulates) to exports concludes that the presence of a foreign mission is associated with slightly higher exports. He estimated the impact that the presence of an embassy or consulate may have on bilateral trade using a gravity model. Rose argues that as communication costs fall, foreign embassies and consulates have lost much of their role in decision-making and information-gathering, and therefore are increasingly marketing themselves as agents of export promotion. In a sample of twenty-two exporting countries –of which eight are developing countries and around 200 potential trading partners he finds that for each additional consulate abroad, exports increase by 6 to 10 percent.

More recently, Lederman, Olarreaga and Payton (2006) find that national export promotion agencies have on average a strong and statistically significant impact on exports. In terms of what works and what doesn't, their estimates suggest that EPAs should have a large share of the executive board in the hands of the private sector, but they should also have a large share of public sector funding. In other words, a full privatization of EPAs does not seem to work. A single and strong EPA should be preferred to the proliferation of agencies within countries. Their results also suggest that EPAs should focus on nontraditional exports or have some broad sector orientation, rather than attempt to promote overall exports. They should also focus on traditional
exports or have some broad sector orientation, rather than attempt to promote overall exports. They should also focus on large firms that are not yet exporters, rather than on small firms and established exporters. Also EPA offices abroad have a positive effect on exports in the full sample, but a negative impact in the sub-sample for developing countries, suggesting that agencies in developing countries are better off focusing on on-shore activities, and have probably something to learn from the experience of developed countries with EPA's office representations abroad.

Arvind Panngariya (1999) argued that export credit can not be an effective measure of export promotion. He argued that India had a long history of direct and indirect export subsidies, including direct cash subsidy to exporters, export finance, export insurance and guarantee, export promotion and marketing assistance, and export-processing zones. Thus, commercial banks in India provide export financing at interest rates below market rates. The annual lending rates for this purpose are fixed by the Reserve Bank of India. The banks are required to extend a minimum of 12% of their net credit as export credit. The Export Credit Guarantee Corporation of India Limited (ECGC), owned entirely by the government, provides exporters a range of insurance cover against non-realization of export proceeds due to political or commercial reasons. It also provides guarantees to financial institutions to facilitate the granting of credit facilities to exporters on a liberal basis. The ECGC has been in operation since 1957. The government also places a strong emphasis on facilitating export promotion and marketing assistance. There are 15 broad schemes in operation for this purpose. Indian Trade Promotion Organization (ITPO) promotes exports and imports and helps upgrade technology. It undertakes publicity, assists firms in developing new products and organizes export development programs. The Indian Institute of Packaging assists firms in improving the standards of packaging and undertakes research into the raw materials

for the packaging industry. The Indian Institute of Foreign Trade develops human resources and organizes seminars on issues relating to trade.

Finally, the government has also established seven export-processing zones (EPZs) to promote exports. Hundred percent export oriented units (EOUs), meant to complement the EPZs, can be established outside the zones. To promote the development and exports of the software industry, seven Software Technology Parks (STPs) and an Electronic Hardware Technology Park (EHTPs) scheme are also in existence.

Most of these schemes have been in force for more than three decades in one or the other form. Yet, India's exports-to-GDP ratio in 1990 was an embarrassing 5%. It was not until India began to liberalize trade and eliminated the gross exchange-rate overvaluation starting in July 1991 that exports began to show progress. Despite a sharp reduction in export subsidies, principally through import liberalization and an excellent management of the exchange rate, by 1997, India had successfully pushed the exports-to-GDP ratio to 10%. Given this experience, it is difficult to argue that export-finance measures were crucial to India's export performance.

Nogues (1989) provides more compelling evidence against export subsidies as a cost-effective instrument of export promotion. After a careful review of a large body of evidence, he arrives at the following conclusion: "More than 20 years ago, the economic reasoning on export subsidies suggested that they would result in higher export diversification and performance. In contrast, experience shows that at the macro level, this has generally not occurred. I have argued that the major reason for this has been that, in a majority of cases, export subsidies were not supported by more open import policies. As a result, export subsidies reduced only marginally the anti-export bias of Latin American countries. Additional negative effects on exports have come from very unstable RERs [real exchange rates]." This diagnosis does not contradict the position of those who see merit in subsidized export-credit insurance but are careful to argue that
these measures will not yield the desired results in the absence of supporting policies, which include a generally liberal trade regime and stable real exchange rate. 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. The contrast between the two countries, however, is that Brazil made use of export subsidies, many of which were countervailed by the United States, whereas Mexico did not. Nogues therefore concludes that Mexico's strategy was less costly.

2.1.4 Effectiveness of EPA

The bulk of the empirical literature that has looked more closely at the effectiveness of export promotion has focused on agencies in developed countries, particularly the United States. There have been two broad approaches. One relies on surveys of random samples of exporters and potential exporters, asking which programs they have made use of, their opinions of these programs, and the success they have had in exporting. 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. Despite their criticism of existing programs, these studies do support the
argument, however, that EPAs are a response to a genuine need of small and medium-sized firms, and that they can be crucial for export success.\textsuperscript{9}

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 alleged weaknesses were: EPAs were manned by poorly trained civil servants who were out of touch with their private-sector clients; these public institutions did not provide the incentives to ensure a high-quality service to exporters; agencies failed to address the major supply constraints on exporters, which were often not marketing-related, particularly in environments where import substitution policies prevailed.

For its World Development Report in 1987, the World Bank classified forty-one developing countries according to their openness to trade since the sixties. It classed economies as either inward looking (exports were discouraged) or outward looking (exports were not discouraged), with a further division according to the strength of any trade bias. The World Bank then plotted these groups against a variety of economic indicators.

Growth in income per capita was highest in the strongly outward-looking economies and lowest in the strongly inward-looking ones. The same was true for growth in total GDP and in value added in manufacturing, and for the standard measure of the

\textsuperscript{9}Czinkota (2002) argues that governments should lead efforts to help firms appreciate that they are ready for export or learn what they need to do to get ready. Many executives do not initiate export activities because of their uncertainty about new factors such as variable currency exchange rates, greater distances, new government regulations, new legal and financial systems, etc. The government is well positioned to help firms overcome such information failures.
efficiency of investment. On all these criteria the moderately outward-looking countries also outperformed inward-looking economies, although by a smaller margin. The failure of a strong inward orientation to promote domestic manufacturing—not just exports of manufactures—is particularly striking. The whole point of looking inward had been to industrialize faster.

2.1.5 Negative Side of Export Credit Agencies

As discussed above, many studies have recognized the scale and importance of ECAs' role in the global economy. They are termed as "the unsung giants of international trade and finance." ECA-backed export credits and foreign investment from industrialized countries towards developing countries amount to $100 to $200 billion annually. In comparison, the entire World Bank Group's commitments in 2000 came to only $19.3 billion, and all official development assistance commitments from the global North to the global South amounted to only $62.2 billion. Furthermore, despite recent downturns related to the Asian financial crisis and September 11 attacks, export credits to developing countries have been growing over the long term, while development assistance has declined or has remained stagnant. Indeed, the increasing role of ECAs in the global economy—directly backing hundreds of billions of dollars of international trade and investment and leveraging much more in purely private flows—raises the question of the extent to which government intervention through ECAs has actually driven the process of economic globalization.

11 Because ECAs are so untransparent and disclose so little aggregate data or information on their transactions, it is very difficult to know exactly how many total export credits there are globally every year nor how many are extended to developing countries.
Although the ECAs are by far the single largest part of public financial flows from North to South, but they are also the least examined, the least transparent, the least accountable, and, in some ways, the most harmful. Among the issues critics of ECAs raise are that they:

- Low-Risk Financing for High-Risk Projects
- Lack basic environmental, human rights, corruption, and other safeguards
- Undercut their governments' own developmental and environmental policies and multilateral agreements
- Contribute heavily to developing countries' debt burdens
- Have little or no transparency or accountability
- Provide corporate welfare by passing business' risks and losses on to unwitting taxpayers
- Contribute significantly to the arms trade, the expansion of nuclear power, and global warming

In many cases, the ECAs can absorb up to 85 or 95 percent of the risk from a given transaction, meaning that potential losses for corporations and banks can be minimal. When an ECA will take on most of the risk and provide nearly full compensation if something goes wrong, there is every incentive for corporations and banks to move ahead with any overseas transactions—even excessively risky ones. In fact, there is less incentive to do thorough due diligence and risk assessment to identify any risks in the first place. It is also pointed out by some studies that most ECAs have no effective safeguards or transparency and moreover most ECAs do not have a development mandate at all. Indeed, their sole purpose is the promotion of their own

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13 ibid, p.2.
countries' exports or foreign investments, and they have resisted any other considerations.15

ECAs have become not only the largest single source of official finance flowing to developing countries, but also, according to the World Bank, these countries' largest official creditors—with ECA related debt constituting the largest component of developing-country official debt.16 Roughly 64 percent of Nigeria's entire external debt is for export credits; for the Democratic Republic of Congo, it's 42 percent. And ECA-backed loans carry higher interest rates than do most World Bank, IMF, or other official loans.

There are a variety of ways export credits can contribute to developing countries' sovereign debt, or debt owed or guaranteed by the developing countries' governments—ECAs can also generate other kinds of massive financial liabilities for these governments that are not counted as debt. The most obvious ways ECAs can lead to sovereign debt are when they lend directly to a government or public entity, or when they guarantee or insure commercial bank or corporate credit or loans to a government or public entity.

2.2 OBJECTIVES OF THE STUDY

The present study has been conducted to evaluate the role played by Exim bank in export financing and export promotion. In this effort our aim for the present study are as follows:

(i) To recognize the importance of ‘Export Finance’ and reviewing the export financing facilities available in India.

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16 “Official debt” consists of debt owed to official (meaning public) creditors, whether bilateral or multilateral (this excludes debt owed to private banks and other private creditors). The World Bank, Global Development Finance: Financing the Poorest Countries, Washington, DC: Office of the Publisher, 2002; vol. I: 107.
(ii) Undertaking a survey of the circumstances, which led to the establishment of the EXIM Bank.

(iii) To examine the various financial programmes operated by the EXIM Bank in the area of financing.

(iv) To critically analyse the operational performance of the EXIM Bank in financing exports.

(v) To recognize the role of the EXIM Bank in promoting the exports of India prior and after liberalisation of the economy.

(vi) To examine the impact of liberalisation policies and measures on export financing.

(vii) To make a few suggestions for making the EXIM Bank more effective in export financing in the future.

2.3 METHODOLOGY

- **Research Design**

  A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedures. Research design is the specification of the method and procedure for acquiring the information needed. It is the framework or the plan of study that is used as a guide in collecting and analyzing the data. The design helps the researcher to organize his ideas in a form thereby facilitating him to look for flaws and inadequacies.

  Research design however, depends upon the research purpose and is bound to be different in different types of research projects. There are so many types of research design and "there is no standard or ideal research design to guide the researcher; any different design may accomplish the same objectives."
The present study is primarily descriptive cum analytical in nature. It is descriptive in the sense that it has highlighted the distinctive feature i.e. the form of programmes (schemes) operated by the EXIM Bank. It is also analytical as it attempts to analyze the quantum of export finance given by the EXIM Bank under various programmes and it also shows the relationship of export finance by the EXIM Bank with total exports. The study have examined the factors which highlighted the need of export financing in export promotion to achieve the higher rates of economic development.

• **Universe of the Study**

There are various institutions, engaged in financing the India’s exports, such as Commercial Banks, the RBI, the ECGC and the EXIM Bank of India. The universe of this study is restricted only to the programmes and other measures offered by the EXIM Bank in export financing.

• **Data Collection**

Mainly the secondary data have used for completing this study. The chief sources of these data have been the whole range of publications of the EXIM Bank of India, besides articles, which appear on the subject in magazines and newspaper from time to time. The important publication of the EXIM Bank, magazines and newspapers consulted are: Annual Reports of the EXIM Bank, Publications, brochures and handouts on the various schemes offered by the Bank, Annual Reports of IDBI, Handbook of Statistics on Indian Economy, the Journal of Indian Institute of Bankers, Foreign Trade Review, Business India, RBI Bulletins, Capital, Southern Economist, Fortune India, The Financial Express, The economic Times and the Times of India etc. The internet was used for accessing relevant literature and data.

• **Analysis of Data**

For comparison purpose, we have divided the time period in pre-reform period and post-reform period. For inter-temporal comparison, we have taken pre-liberalisation
period from 1982 to 1991-92 and post liberalisation period from 1992-93 to 2007-08. We 
have taken 1991-92 in the pre-liberalisation period on the premises that the effect of 
policies is lagged by one time period. Analysis of data involves a number of closely 
related operations which are performed with the help of statistical tools. For the purpose 
of analysis, percentage, simple average, index number and regression have been used in 
this study. Annual trend rate have been computed using semi-logarithmic function of the 
form \( Y = a b^t \). The inter-temporal comparisons of trend rates are done by fitting separate 
functions for sub-periods. Ordinary Least Square method was used for estimating the 
regressions. For better presentation of the study and to make it interesting and 
understandable, charts, diagrams and graphs have been used.

The methodology of the study revolved to analyse the performance of the various 
financing programmes of the EXIM bank. For this purpose we have analysed the 
percentage utilisations of the approvals and the trend growth rates of the programme 
assistance. The export finance from EXIM bank as a percentage of total exports and total 
export credit was measured and the trends overtime compared.

2.4 LIMITATIONS OF THE STUDY

The following are the constraints or limitations faced by the researcher while 
conducting the study:

(i) To make the study more interesting and useful, personal interviews of the 
persons who enjoyed the export financing facilities, from the bank could not 
be incorporated due to non-response of the individual/organizations.

(ii) The present study is confined to financial programmes of the EXIM Bank and 
it had not included other aspect of its performance.

(iii) The analysis of programme wise assistance was done at the aggregate level. 
The micro analysis of the programmes could not be undertaken due to non-
availability of data.
(iv) The comparability of data was affected as the data was reported sometimes in Indian currency and sometimes in foreign currencies.

(v) The export credit given by different commercial banks and other institutions was not available and a comparative analysis of the export credit by these agencies with Exim bank could not be undertaken.

2.5 UTILIT Y OF THE STUDY

The study has both theoretical and practical utility. It is useful from the viewpoint of providing necessary guidelines to the exporters and other community related to it i.e. Commercial Banks Govt. etc. about programmes provide by the EXIM Bank.

Besides, it will strengthen the existing data bank on the subject. Moreover, this research endeavour will also help the researcher in future in providing necessary information relating to the problem. Lastly, the limitations pertaining to the direct and indirect variables can be further probed by future researchers.

2.6 CHAPTER SCHEME

The study is organised into seven chapters. Chapter-1 is introductory in nature and explains the need and context of the study. The chapter highlighted the importance of ‘Export Finance’ and reviewed the export financing facilities available in India. The chapter during discussions on Export Finance have recognised the need for economic development, importance of exports in economic development, necessity of export promotion measures to enhance exports and need of export finance in promoting exports. The export promotion measures and export financing facilities available in India are also discussed in this chapter.

The methodology of the study and the literature survey is presented in chapter-2. The chapter review the relevant literature highlighting the impact of export promotion agencies (EPA) in economic development, the effectiveness of EPAs and role of Export
Credit Agencies in export promotion. The methodology of the study, limitations and utility of the study is also discussed in this chapter.

Chapter-3 explains the evolution of EXIM bank. The chapter undertake a survey of the circumstances, which led to the establishment of the EXIM Bank. The Export financing schemes operated by its predecessor IDBI are discussed in detail. The performance of IDBI's export financing programmes is also carried out in this chapter. The organisation of EXIM bank, its objectives, capital structure and comparison of EXIM bank financing in its initial year of operation with IDBI is also presented in this chapter.

The export financing programmes operated by EXIM Bank are discussed in Chapter- 4. 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.

The analysis of the EXIM bank export financing programmes is presented in chapter-5. 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 comparative analysis of EXIM bank export financing programmes prior and after liberalisation period are discussed in Chapter-6. The chapter also discusses 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 concluding chapter-7, presents the silent findings of the study along with their policy implication for formulating policies for increasing the effectiveness of export financing programmes of EXIM bank.