ABSTRACT

Indian financial services market is under dynamic transformation with many new financial products being experimented with newer delivery systems. Besides catering to the capital/money market deepening, some of these innovative products are aimed at providing an alternative avenue towards meeting the financial needs of a specific segment of clientele for their working capital needs, both for domestic and international transactions. International factoring is one such product specially aimed at meeting both the financial and non-financial needs of the exporters and importers.

Factoring the world over, as financial innovation has seen stupendous growth during the last decade. Though domestic factoring has been in existence in India for last three years or so, international factoring is yet to be introduced. The globalisation of Indian economy, however, necessitates launching of this service in near future.

The study through perception analysis of experts in the area including the bankers and existing factoring companies as well as of the likely prime users of the services, namely the exporters establishes the fact that there is substantial scope for introduction of international factoring in the country. Though the potential is enormous as established by the projected export growth of the country as well during next decade, there are many issues and problems that are likely to be encountered while launching this service. These issues primarily relate to the legal, policy, strategic and organisational aspects. The study brings to light some of these emerging concerns along with the coping strategies and approaches that need to be adopted.
This is a pioneering research work undertaken in the area of international factoring in a developing country like India. The present study may, therefore, be termed as an exploratory one. It is expected that the output of the research work may be quite useful in providing a total package of conceptual, policy, strategic and operational guidelines to those interested in launching international factoring in India. Some of the findings may be of strategic interest to the policy makers including the Reserve Bank of India. Finally, the study adds to the literature on the subject by sharing information in this part of the world.