ABSTRACT

OF THE

PH. D. THESIS

ON

“INDIA’S FOREIGN TRADE
AND
CONTRIBUTION OF EXIM BANK OF INDIA”

BY

SHRI. SURYAKANT D. KOSHTI

UNDER THE GUIDANCE OF

DR. G. A. NIKAM

HEAD; DEPARTMENT OF COMMERCE (FORMER)

DR. BABASAHEB AMBEDKAR MARATHWADA UNIVERSITY
AURANGABAD- 431 004 (M. S.)

2006
INTRODUCTION:

Foreign trade being an important determinant of economic development requires the due attention by the every country, whether developed or developing. This is due to mainly dependence of countries on each other for meeting their requirements; earning foreign exchange; opening of economy for the foreign investment…etc. India, being a developing country needs to import the necessities for promoting exports and minimizing the trade deficit. India’s foreign trade i.e. export and imports, has been administered through the Exim policies. Considering the foreign trade as the core of our economy, the radical reforms in this sector have been introduced to help the country better in its position in the world trade and to achieve and furthering economic and social goals.

Export, export promotion and the import of essentials are necessary for improving the foreign trade rather than securing loans from international institutions and countries.

It has been experienced that, during the five-year planning period, both imports and exports of our country have been increased but our share in the world trade is negligible. Therefore, the Govt. has been encouraging this sector through export promotion measures. Accordingly, a sound institutional framework has been framed. There exist three types of development bank for the sectors like agricultural; industrial and foreign trade.
The present academic work deals with India’s foreign trade and contribution of Exim Bank of India, as an exclusive specialised institution for foreign trade. An attempt has been made here to study the contribution of Bank foreign trade during period of seven years from 1998-1999 to 2004-2005, based on secondary sources of information with the help of significant techniques such as growth analysis and statistical methods.

➢ OBJECTIVES: -

1. To study the procedural aspects and pattern of financing of the Exim Bank.
2. To evaluate the various facilities, schemes and programs of the Exim Bank.
3. To analyse the contribution of the Exim Bank in diversification of markets and products for exports of India.
4. To study the financial performance of the Exim Bank.
5. To make suggestions in the light of findings.

➢ HYPOTHESE –

1. Whether it is necessary to provide financial assistance for promoting foreign trade?
2. What does Exim Bank do to finance; facilitate and promote Foreign trade of the country?
3. How does the Exam Bank play its role as the principal and leading financial institution in promoting the foreign trade?

➢ RESEARCH METHODOLOGY: -

Considering 1998-1999 as the base year, statistical techniques like calculation of percentage and trend analysis have been used for testing the hypothese.
INDIA’S FOREIGN TRADE -

It has been observed that, during the study period, both imports as well as exports have been consistently increased and resulted into the negative balance of payments. This was because India, being a developing country, it was necessary on her part; like other developing countries; to import some of the necessities for promoting exports in order to reduce the negative trend in the balance of payments position. It was found that during the study period 1998-1999 to 2004-2005

Similarly, our share in the world export trade is hardly 0.8%, which was less than even 1%. The Govt. of India decided to improve the said performance.

ROLE OF EXIM BANK OF INDIA: -

The Export-Import Bank of India came into existence on 1st January 1982 by an Act of Parliament, known as Exim Bank of India Act; 1981, for the purpose of financing, facilitating and promoting foreign trade in India.

In fact, it is the leading bank in providing finance for export finance in the form of funded and non-funded assistance for the purpose of promotion of export trade. The Exim Bank of India Act; 1981, empowers the Bank to finance export of consultancy and related services, assist Indian joint-ventures in the third countries, conduct export market studies, finance export oriented industries, provide international merchant banking services…etc.
With the establishment of Exim Bank of India, the long felt need has been satisfied and the lacuna in the institutional set up for export financing has been filled in.

The present study is divided into the five chapters viz. introduction of foreign trade; exim policies; Exim Bank, review of literature, role of Indian Exim Bank, performance evaluation of Bank’s facilities and summary; findings and suggestions.

➢ FINDINGS: -

1. Export Contracts, Export Credits-

The assistance provided by the Bank for securing export contracts shown a fluctuating but increasing trend. It was found that there in an increase in almost every aspect of export contracts as regards to the assistance provided to the different countries; different types and number of contracts their values. The Bank had utilized about 80.86% of the sanctioned amount for the purpose of disbursements for financing export contracts.

2. Selected Facilities: -

In order to evaluate the financial support provided by Exim Bank of India to increase foreign trade, the selected facilities have been taken into consideration. These facilities showed a first-rate presentation that accounted more than 60% disbursements from the sanctioned amount. Some of the facilities like overseas investment finance and export marketing and product development programmes showed relatively more than 100% actual disbursements where as technology upgradation fund scheme; a recently introduced
facility showed a least disbursement at about 48.89% of the sanctioned amount.

3. Evaluation of Assistance: -

This area of study concentrates on the funded assistance provided by the Bank during the study period 1998-1999 to 2004-2005. The provision and tendency in sanctioning and disbursing the funded assistance for diversify activities; regions purposes; to the selected industries had been evaluated. It was found that the Bank utilized about 73.20%, 47.26%; 114.13%, 80.66% of the sanctioned amount for the different activities; regions; purposes and selected industries respectively during the study period.

In nutshell, the Bank had sanctioned about 71.60% and 70.30% of the sanctioned amount for the purpose of disbursement of ‘funded’ and ‘non-funded’ assistance. On an average basis, it accounted for about 61.25% during the study period 1998-1999 to 2004-2005.

➢ SUGGESTIONS: -

1. Needs to modify policy regarding Export Contracts, Credits-

The Bank needs to focus on providing assistance to the turnkey, construction and service contracts, which enjoyed hardly 7.72% assistance during the study period.

2. Bank needs to utilize at least full sanctioned amount

Bank needs to utilize at least full sanctioned amount for the purpose of distribution, to develop continuous dialogue with the exporting community, make its
programmes simple; economical and faster so that it could provide more and more assistance for increasing its contribution to foreign trade, make its Global Trade Finance and Structured Trade Finance more attractive and effective.

3. Needs to Encourage to Overseas Entities and others: -

The overseas entities, SMEs and Units SEZs should be encouraged to gain the maximum benefits of the Bank’s schemes.

4. Needs to Launch New ventures: -

The Bank should help out the exporting community for launching new ventures in West Asia; North Africa and Sub-Saharan Africa.

5. Needs to boost up share-

In order to boost up the share of the Bank, it needs to identify the appropriate solutions and their effective implementation. e.g. constructing pesticide units in Asia; Pacific region.

6. Bank need to review its Programmes: -

The Bank needs to assess its programmes for enhancing the export competitiveness in the global project market; exploit the opportunities in Germany in the construction and machinery sector; leather products in Russian markets.

7. Needs to open Overseas Branch-

The Bank needs to open its overseas branch in Korea to exploit the overseas opportunities.
8. Needs to adopt Term Strategies-

The Bank needs to execute medium and long-term strategies for the opportunities in CIS region.

9. Needs to concentrate on New and modernization: -

It is necessary on the part of Bank to make available more funded assistance for the purposes such as ‘new projects’ and ‘modernisation’.

10. Bank needs to revise industrial allocation of assistance: -

It was found that most of the industries except Chemical industry could not gain fullest assistance sanctioned by the Bank. The Bank should also support exporters from the different industries that have been provided less than 10% assistance like jute; electronic electrical equipments, automobile ancillaries; services; food products; …etc.

The study further propose that there are sufficient prospects for pharma industries in the European markets; industries like education; biotechnology; entertainment, cement; information technology; infrastructure …etc. in the overseas market.

11. Need to begin with new scheme: -

The Bank may initiate a policy like ‘Exim Bank-At the Doorstep of the Exporters’.

Thus, it can be concluded that although Export-Import Bank of India is a principal institution in financing the financing the foreign trade of the country, its present procedure and financing patterns does not adequately promote the country’s foreign trade.
However, the Bank promotes country’s foreign trade in diversified areas such as markets, products. The study further confirmed the hypotheses framed and tested for the purpose of investigation.

Therefore, the contribution made by the Exim Bank for promoting India’s exports has been very meager. India’s exports have not even been up to the target of 1% of the world’s total exports during the study period.

The fact cannot be denied that there has been no substantial increase in India’s exports as a percentage of world exports since the establishment of the Exim Bank. Similarly, considering the findings and conclusions of the present study, the Bank has utilised about 72.82% of the sanctioned amount for the purpose of disbursements during the period 1998-1999 to 2004-2005. Besides this, the Bank is quite capable in making adequate funds available to the interested parties, for achieving the goals in relation to the foreign trade of the country.

Our performance in the external sector during the recent preceding years has been increasing at the faster rate than that of earlier experience and at the same time the Govt. also framing favourable policies so as to achieve our export targets. In this sense, the Bank has to play more effective role in the years to come.

In view of the fact that the present study is neither the first nor last study on contribution of Exim Bank of India in promoting foreign trade of the country, there is still unlimited opportunity as other aspects needs to be examined.

PROF. DR. G. A. NIKAM
RESEARCH GUIDE

SHRI. S. D. KOSHTI
RESEARCH CANDIDATE
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