

THE ROLE OF EXIM BANK IN STRENGTHENING THE COMPETITIVE EDGE OF INDIAN COMPANIES: A CRITICAL REVIEW OF DIFFERENT FINANCING SCHEMES

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ABSTRACT

The primary motive of this paper is to explore and investigate the ranges of activities supported by the apex institutions in creation of export capability environment for Indian companies. The Exim bank as India's premier export finance institutions, and in line with Government of India's foreign trade policy proactively endeavours to facilitates and promote internationalisation efforts of Indian companies, and also strives to enhance the global competitive edge of such companies through a comprehensive gamut of financing programme and advisory and support services at all stages of the export business cycle. As financing resources plays a significant role in escalating export venture particularly to Micro, Small and Medium Enterprises which faces stiff competition from large firm the Bank comes with a comprehensive ranges such as term loan, working capital loan, production equipment, technological up-gradation scheme and finance for imports schemes. The study made a deep insight on individual assistance provided by the bank in facilitating export venture. The paper contains descriptive statistical inferences like average, annual growth, CAGR etc. for making study more conclusive.

Keywords: Exim Bank of India, Export Finance, Export Capability, EOUs, Financial assistance.

Introduction

The Export-Import bank of India offers a range of financing programme to enhance the export capability and competitiveness of Indian companies. The bank provide 360 degree support to export oriented units by creating a long term commitment with the exporters at all the stages of export business cycle with a primary objective of developing commercially viable relationship aimed at enhancing their internationalisation efforts. A barometer for success of any firm in these days of global integration is the extent of its footprint worldwide, Exim Bank has been

supporting Indian investment/ventures and companies through various product and services which helps exporters to finance new projects, modernisation and expansion, purchase of new equipment and to carry out research and development. The paper is going to investigate and analyse the trend and growth of assistance provided to the institution engaged in export and import activities by the bank.

Establishment of Export-Import Bank of India

The Exim Bank of India is a public sector financial institution, incorporated on January 1, 1982 by an act of parliament for the purpose of financing, facilitating, promoting foreign trade of India. It is the apex and principal financial institution for coordinating the working of institutions and companies engaged in financing export and imports. The Bank provide spectrum of assistance through wide range of product and value added services for enhancing international competitiveness of Indian companies engaged in export activities. Exim Bank concentrate on medium and long-term financing, leaving the short term financing to be handle by commercial banks.

Objective of the study

The objective of this paper is to know the various financial assistances provided by the bank as an export financing agency and to examine the trends and growth in financial assistance provided by the Exim bank and to appraise the Exim bank as a financier to the export oriented units.

Significance of the study

Being a principal financial institution in the area of export financing and in providing export facilitation to the companies engaged in export and import activities, it is quite significant to have an appraisal of its working and to evaluate the performance of the bank. The present paper is a humble attempt to explore and examine the various spectrum of Exim Bank in the area of export capability creation for making domestic companies going global.

Scope of the Study:

The paper tries to cover various aspects of the working of Exim Bank in providing assistance to enhance export of the nation through wide spectrum of product and services which is available to the Indian institution for creation of export capability competitiveness. In the light of its diversified activities an attempt has been made to outline the modus-operandi of various export credit schemes available to the Indian Companies to cater increasingly globalised and liberalised trading environment.

Source of Data

This paper is based on the secondary source of data collected from various annual reports and website of Exim Bank of India

Analysis and Interpretation:

There are several export financing programmes run by Exim bank of India to promote the export of the country. In this part we have analysed these programmes with the help of some statistical tools like average, annual growth, C.V. and CAGR.

Analysis of Term Loan Finance by Exim Bank to EOUs

Exim Bank provides term loans/deferred payment guarantee to 100% export-oriented units for export production (earlier know as agency credit line), in order to enhance international competitiveness and the capabilities of export-oriented Indian companies, the bank provides term loans to finance various capital expenditures including certain soft expenditures of such companies. Loans or guarantees are extended for the expansion, modernization, up-gradation or diversification projects. This includes acquisition of equipment, technology export marketing, export product development and setting up of Software Technology Parks. The trends and growth of the term loan approved and disbursement by the bank during the period from 2008-09 to 2017-18 is presented in table 1.

Table 1: Term loan Approved and Disbursed by Exim Bank to EOUs (Year wise)

YEAR	TERM LOAN APPROVED	Annual Growth (%)	TERM LOAN DISBURSEMENT	Annual Growth (%)	(in Rs. billion)
					No of EOUs Export Oriented Units
2008-09	16.69	---	12.06	---	39
2009-10	37.93	127.26	12.45	3.23	48
2010-11	38.84	2.40	20.29	62.97	54
2011-12	54.12	39.34	32.34	59.39	96
2012-13	54.39	0.50	32.33	-0.03	51
2013-14	47.39	-12.87	36.55	13.05	42
2014-15	44.45	-6.20	40.16	9.88	40
2015-16	67.5	51.86	59.51	48.18	52
2016-17	32.14	-52.39	38.27	-35.69	41
2017-18	31.94	-0.62	35.42	-7.45	41

Source: compiled and computed from annual report of Exim Bank of India (various issues)

The term loan finance sanctioned by the bank to export oriented units fluctuated right through the study period and no linear trend has been observed. The term loan approved by the bank in 2008-09 was Rs. 16.69 billion and till 2012-13 a positive trend has been observed in the term loan approval by the bank. But from the year 2013-14 it started declining and it declined by 12.87 percent, 6.20 percent, 52.39 percent and 0.62 percent in 2013-14, 2014-15, 2016-17 and 2017-18 respectively over respective previous years. During last five years of the study only in the year 2015-16 the loan approved by the bank was recorded a growth of more than 51 percent over previous year and recorded at Rs. 67.5 billion. The average term loan approved by the bank during the period under study is noticed Rs. 36.67 billion which is more than the value of loan approved in last two years of the study period. The term loan approved by the bank was ranged from minimum Rs. 16.69 billion to Rs. 67.5 billion. So it can be concluded that during the last few years bank is not focusing adequately on the term loan financing to export oriented units.

When we observed the term loan disbursement by the bank it was found lower than the sanctioned amount by the bank till 2015-16. Only in last two year the disbursement is found more than the approved amount in the same year. It denotes that a large portion of the approved term loan has not been disbursed by the bank. The trend of loan disbursement is found non linear and it shown a declining trend in the years 2012-13, 2016-17 and 2017-18. The average loan disbursed during the study period is found Rs. 26.33 billion. The term loan disbursement to EOUs is ranged from Rs. 12.06 billion to Rs. 59.51 billion. When we talk about the number of EOUs benefited with the term loan provided by the bank, it was increased from 39 in 2008-09 to 41 in 2017-18. It denotes that units benefited by this scheme have not improved effectively during the year under study. However the number of units benefited under this scheme was registered highest in 2011-12 with 96 EOUs but the bank not sustained it and the benefited units declined sharply in the very next year. The number of units benefited under this scheme was registered lowest in 2008-09 with 39 units.

Analysis of Long Term Working Capital Loan

Working capital is commonly used for the capital required for daily work in a company, such as the purchase of raw materials, to cover daily spending on wages, salaries, rent, advertising, etc. Financial assistance for working Capital scheme seeks to create, improve the export capabilities of Indian companies. The loan is provided as long-term working capital in Indian rupees or in foreign currency to companies with good financial solvency record with a minimum export-oriented of 10% of their net sales or export sales of Rs. 5 million rupees (per year), whichever is less. The interest rate is applicable to the EOU. The loan is repayable in 1 to 5 years, determined on the basis of expected cash flows with an adequate moratorium.

Table 2: Working Capital Loan approved and Disbursed by Exim Bank

(in Rs. billion)

Year	Approved	Annual Growth	Disbursement	Annual Growth	No. of Companies
2008-09	18.69	---	15.34	---	28
2009-10	3.33	-82.18	2.83	-81.55	13
2010-11	6.39	91.89	6.12	116.25	10
2011-12	3.27	-48.83	3.90	-36.27	6
2012-13	4.77	45.87	4.52	15.90	8
2013-14	3.05	-36.06	2.69	-40.49	5
2014-15	7.99	161.97	6.98	159.48	12
2015-16	4.50	-43.68	3.81	-45.42	11
2016-17	25.31	462.44	22.71	496.06	11
2017-18	34.30	35.52	28.00	23.29	13

Source: compiled and computed from annual report of Exim Bank of India (various issues)

The long term working capital loan approved by the bank was Rs. 18.69 billion to 28 companies in 2008-09 and in the next year 2009-10 the bank approved only Rs. 3.33 billion loans to 13 companies for long term working capital. In the year 2010-11 the amount of loan approved increased more as compared to the beneficial companies as the table 2 shows from 2009-10 to 2015-16 alternative increase and decrease in approval of working capital loan by the bank has been observed and the loan approval remained below Rs. 8 billion which is much less than the loan approved in 2008-09. But in last two years off the study period i.e., in 2016-17 and 2017-18 a tremendous growth has been seen in loan approval under this scheme. It indicates that unlike term loan the bank is more focused on working capital requirements of the export units during recent past.

When we analysed the loan disbursement for long term working capital needs by the bank it is found that the trend of loan disbursement is similar to the approval of loan under this scheme. But it is noticeable that the loan disbursed under this programme was remained lower than the approval amount in all the years except 2011-12. In 2011-12 loan disbursement was more than the approved amount. It indicates that in each year the surplus approved loan is carried forward to the next year for disbursement. It signifies that there is some lag due to which the units not interested to utilise the approved loan to them to meet out working capital requirement. The average loan disbursement for the long term working capital during the period under study is found Rs.11.43 billion. The loan disbursement ranged from minimum 2.69 billion to 28 billion.

It is also noticeable that the units benefited with this scheme not increased adequately during the research period.

Analysis of Production Equipment Finance Programme [PEFP]

Exim Bank extends credit to suitable export-oriented companies to improve the creation of export capacity by financing the acquisition of non-project related equipment. The bank offer loans to purchase of plant and machinery, auxiliary equipment including packaging equipment, pollution control, public services, quality control, etc. The bank also extends credit to suitable export-oriented companies to improve the creation of export capacity by financing the purchase of equipment not linked to projects. They offer loans for the purchase of plant and machinery, purchase of auxiliary equipment, including packaging equipment, pollution control, public services, quality control, etc. Production equipment finance programme is a fast disbursing window available to finance EOUs for acquisition of production related equipment. Table 3 presents the loan approved and disbursed by the bank under project equipment finance during the period under study. The table also presents the number of companies benefited with this scheme year wise.

Table 3: Project Equipment Finance approved and Disbursed by Exim Bank

(in Rs. billion)

Year	Approved	Annual Growth	Disbursement	Annual Growth	No. of Companies
2008-09	5.06	---	1.82	---	16
2009-10	4.96	-1.98	2.17	19.23	16
2010-11	6.75	36.09	3.72	71.43	18
2011-12	11.09	64.30	6.11	64.25	20
2012-13	2.83	-74.48	3.39	-44.52	12
2013-14	5.35	89.05	2.22	-34.51	15
2014-15	2.53	-52.71	4.23	90.54	11
2015-16	10.26	305.53	10.15	139.95	12
2016-17	12.21	19.01	11.38	12.12	12
2017-18	9.95	-18.51	4.87	-57.21	13

Source: compiled and computed from annual report of Exim Bank of India (various issues)

Table 3 depicts that during the financial year 2008-09 the amount approved and sanctioned under this scheme was Rs 5.06 Billion and 1.82 Billion respectively and in total 16 companies were benefited. During the year 2017-18 the approval under this scheme tend to registered Rs 9.95 billion and in total 13 companies were benefited with disbursement of Rs 4.87 billion. It clarifies that though the amount of loan approved and disbursed are more in 2017-18 but the number of

companies benefited reduced. The trend of production equipment finance was fluctuating for both approval of loan and disbursement of loan during the study period. The approval of loan ranged from minimum 2.53 billion in the year 2014-15 to maximum 12.21 billion in the year 2016-17. The average approval under the scheme is found Rs. 6.93 billion during the study period. Similarly the disbursement of loan under this scheme the minimum disbursement was Rs. 1.82 billion in the year 2008-09 while the maximum value is found 11.38 billion in the year 2016-17. The average disbursement is found Rs. 4.63 billion. It has been noted that in most of the year the disbursement of loan is found lower than approval. Only in 2012-13 and 2014-15 the disbursement was more than approval in the same year. It indicates that full utilisation of the approved loan has not done by the firms during the period under study. The number of companies benefited decreased during the study from 16 companies in 2008-09 to 13 in the year 2017-18.

Analysis of Overseas Investment Finance by Bank

It is a lending programme of the bank for overseas joint venture/wholly owned subsidiaries by Indian companies. The financial assistance under this programme is provided by way of equity loan to Indian companies for setting up overseas joint ventures.

All Indian promoter making equity investment in an existing companies, a new project overseas with the requisite approval for such investment from Reserve Bank of India/ government of India or any other concerned authorities in the host country are eligible for assistance under this scheme. Table 4 presents the loan provided by the bank year wise as well aggregate during the period under review. Table also shows the number of corporates supported and country covered under the scheme during the period under study.

Table 4: Assistance under Overseas Investment Finance by Exim Bank

Year	Loan (Year Wise)	Number of Corporate Supported (Year Wise)	Number of Countries Covered (Year Wise)	Aggregate Loan (till date)	(in Rs. billion)	
					Total No. of Companies Benefited (till date)	Total No. of Countries Covered (till date)
2008-09	23.38	16	11	123.29	193	63
2009-10	10.54	18	6	133.83	209	64
2010-11	83.25	64	28	208.74	268	68
2011-12	41.78	53	24	250.52	313	69
2012-13	42.28	49	20	292.80	352	71
2013-14	78.59	55	22	371.39	391	80
2014-15	58.07	35	11	432.10	430	91

2015-16	59.96	31	15	491.46	436	78
2016-17	38.91	21	12	529.13	451	78
2017-18	43.77	24	16	572.90	462	78

Source: compiled and computed from annual report of Exim Bank of India (various issues)

Under overseas investment finance the Bank sanctioned Rs 23.38 Billion in 2008-09 with an aggregate loan of Rs 123.29 billion till date under this scheme with total of 193 companies benefited within 63 different countries across the globe. Similarly in the year 2009-10 a total of 18 corporate were supported with Rs. 10.54 billion making an aggregate loan of Rs. 133.83 billion under the scheme with 209 ventured companies across 64 countries. In 2010-11 a magnificent growth in the loan sanctioned as well in the number of corporates covered under overseas investment finance has been observed. The loan sanctioned in the year was jumped to Rs. 83.25 billion which benefited to highest 64 corporates in a year. In the very next year banks was not able to maintain or improved its performance under this scheme and the loan sanctioned under the scheme just became less than half but the corporates covered was 53 which was satisfactory. After 2011-12 an increasing trend has been traced in terms of loan sanctioned except in the year 2016-17. However, the number of countries and corporates covered under the scheme year wise declined year by year except one or two years. It is noticeable that the aggregate numbers of countries covered under this scheme are remained stable at 78 during last three years and it was highest at 91 in the year 2014-15. It indicates that the bank withdrawn this facility from some of the countries after 2014-15. It can also be concluded that Bank is not interested in spreading this facilities in more countries which are not covered.

Analysis of Assistance under TUFS by Exim Bank

The Indian textile industry occupies a unique position in the Indian economy in terms of its contribution to industrial production, employment and exports. Despite having a strong fiber and a productive base, for some historical reasons, this industry suffers from a serious technological obsolescence and a lack of economy of scale. To promote the textile industry and to make this industry globally competitive the Govt. of India introduced Technological Up-gradation Fund Scheme (TUFS) in 1999. As one of the Nodal agencies Exim bank also provides assistance under TUFS. Table no. 5 depicts the financial assistance provided by the bank under TUFS during the period under review.

Table 5: Assistance under TUFs

(Rs in Billion)

Year	Approved	Annual Growth (%)	Disbursement	Annual Growth (%)	No. of approved projects	Aggregate Assistance	Annual Growth (%)
2008-09	32.02	15.18	24.19	29.64	156	99.4	5.13
2009-10	31.52	-1.56	25.04	3.51	161	100.41	1.02
2010-11	32.05	1.68	25.54	2.00	164	101.23	0.82
2011-12	41.08	28.17	28.88	13.08	187	130.75	29.16
2012-13	42.97	4.60	29.67	2.74	192	137.05	4.82
2013-14	52.83	22.95	31.91	7.55	206	160.02	16.76
2014-15	57.75	9.31	32.95	3.26	216	169.91	6.18
2015-16	65.52	13.45	34.2	3.79	225	182.36	7.33
2016-17	66.69	1.79	38.56	12.75	229	184.29	1.06
2017-18	66.94	0.37	56.44	46.37	229	184.46	0.09

Source: compiled and computed from annual report of Exim Bank of India (various issues)

Table 5 shows that in the year 2008-09 the assistance approved by Exim Bank under TUFs was Rs. 32.02 billion and disbursement of Rs 24.19 billion. The trend of approval of loan under TUFs scheme is found positive except in the year 2009-10 in which it declined slightly by 1.56 percent over previous year. Similarly the increasing trend is also found in case of disbursements under TUFs. The disbursements of loan increased from Rs. 24.19 billion in 2008-09 to Rs. 56.44 billion in the year 2017-18. The average approval of loan under TUFs during the study period is found Rs. 39.95 billion while the average disbursement under TUFs for the same period is found Rs. 26.26 billion which is significantly less than the approved loan.

The aggregate assistance under TUFs was Rs. 99.40 billion in 2008-09 which increased year by year during the period under study and became near two fold during the study period and recorded Rs. 184.46 billion in 2017-18. It indicates that the bank focused more effectively on this scheme. But when we observed the number of projects approved under this scheme, it has not increased with the same pace of approved or disbursed loan under the scheme.

Analysis of ‘Finance for Import’ by Exim Bank

Under Finance for Import scheme of Exim Bank the Bank provide assistance for Import of Capital goods/ Plant and machinery/ technology/know-how. All Indian Manufacturing Industries can avail the benefit of this scheme by raising fund under Term Loan Instrument of Exim Bank

either in Indian Rupee or in foreign currency. The interest is charged on prevailing market rate which is linked to Bank’s minimum lending rates. The services charge is applicable @1% of loan amount available upfront which can be repay over a period of seven year determined on the basis of project cash flow with suitable moratorium. The financial assistance provided by the bank under ‘Finance for Import’ Scheme during the study period is presented in table 6.

Table 6: Finance for Import

(Rs in Billion)

YEAR	Total Approval	Annual Growth (%)	Total Disbursement	Annual Growth (%)
2008-09	23.02	41.57	19.07	34.49
2009-10	45.40	97.22	54.92	187.99
2010-11	55.52	22.29	42.68	-22.29
2011-12	37.35	-32.73	30.55	-28.42
2012-13	35.33	-5.41	25.04	-18.04
2013-14	38.74	9.65	36.17	44.45
2014-15	39.31	1.47	36.30	0.36
2015-16	60.49	53.88	60.60	66.94
2016-17	54.15	-10.48	48.89	-19.32
2017-18	44.43	-17.95	40.05	-18.08

Source: compiled and computed from annual report of Exim Bank of India (various issues)

As the table depicts, an inconsistent growth has been observed in the import finance approved and disbursed by the bank during the study period. In 2008-09 the total disbursement of fund under import finance by the bank was Rs. 19.07 billion against the approved loan of Rs. 23.02 billion during the same year. The negative annual growth in approval of loan has been observed 32.73 percent in 2011-12, 5.41 percent in 2012-13, 10.48 percent in 2016-17 and 17.95 percent in 2017-18 over respective previous years. Rest of the years a positive annual growth in the approval of financial assistance was noticed. Same trend has been seen in total disbursement of loan under import finance except in the year 2009-10 in which the disbursement of loan registered positive growth over previous year. However overall the loan approved and disbursed under this scheme increased significantly and it became almost two fold during the span of this ten years. It has been also noticed that in 05 out of 10 years of the study period the disbursement of loan was lower than approval. It is the scheme of the bank in which the gap between approved and disbursed loan has been found least.

Summary of Approval and Disbursement under Various Schemes

The descriptive statistics of the approval and disbursement of financial assistance under various schemes are presented in table 7 below:

Table 7: Statistical Inferences of various assistance by Exim Bank

	Mean	Min.	Max.	C.V. (%)	CAGR (%)
1. Term Loan to EOUs	42.54 (31.94)	16.69 (12.06)	67.50 (59.51)	33.69 (44.43)	7.48 (12.72)
2. WC Loan	11.16 (9.69)	3.05 (2.69)	34.30 (28.00)	99.05 (94.06)	6.98 (6.91)
3. PEFPP	7.10 (5.01)	2.53 (1.82)	12.21 (11.38)	49.51 (66.30)	7.80 (11.56)
4. TUFs	48.94 (32.74)	31.52 (24.19)	66.94 (56.44)	30.30 (28.92)	8.54 (9.87)
5. Finance for Import	43.37 (39.43)	23.02 (19.07)	60.49 (60.60)	25.66 (32.85)	7.58 (8.59)

*fig in bracket shows data for net disbursement

Table 7 indicates that in all the schemes there is a considerable gap between the approval and disbursement of loan in respective financial assistance programme. Table also reveals that in Term loan to EOUs, PEEP, and Finance for imports the disbursement of loan varies more than the approval of loan which can be seen from the value of C.V. of these programmes. Only in case of WC loan, and TUFs, the variances of approval of financial assistance under the programme are found more than the disbursement. However, the CAGR indicates that the growth in disbursement of financial assistance is found higher than growth of their approval except in case of working capital loan.

Conclusion

The export import bank of India is an apex institution fully owned or backed by central government to give push to the export of the country. The bank provide a spectrum of credit, loans , guarantees/insurance for the export import transaction in the market which can be avail by the institutions engaged in export activities to enhance their export capability base. The bank provides assistance at all stage of export business cycle. From the study it is concluded that the bank endeavours to meet its objective which is to provide financial assistance to exporters and importers and coordinating the working of institutions engaged in export and import activities. However on analysis all the assistance provided by the bank individually it has been found in almost all of the assistance provide there is an widen gap between approval and disbursements. The utilisation ratio in compare to sanctioned amount is almost least in all of the facilities

provided by the bank. Moreover the term loan financing, working capital and production equipment financing should need to be re-examine the EOUs and companies supported by the bank has not shown any substantial increase in terms of numbers. When we observed the number of projects approved under TUFS scheme, it has not increased with the same pace of approved or disbursed loan under the scheme. The bank has focused less on term loan to EOUs, Overseas Investment finance, TUFS and production equipment finance which are important for long term sustainable export from the counter. So, it is suggested that the bank should give some more attention to provide assistances under these programmes.

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