

## A Study of Export Import Bank of India in the Export Promotion

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### ABSTRACT

The Export Import Bank of India was established in the year 1982 as the major financial institution to promote and facilitate India's foreign trade. The establishment of this bank marks a significant shift in government policies of focusing on exports and improve India's position in the global market. The bank provides finance to exporters, importers and various guarantees including risk mitigation to help exporters face global competition.

Present research paper elaborates the role of EXIM Bank in export promotion of the country. Research is based on the available published data including Exim Bank's annual reports.

Findings of the research revealed that the net loan portfolio of the bank has increased rapidly from Rs. 994 billion in 2019-20 to Rs. 1576 billion in 2023-24. The non-fund portfolio of the bank varied between Rs. 142 billion (Lowest) to Rs. 170 billion highest during 2019-2024.

The net investment of the bank also fluctuated between Rs 100 billion and Rs 170 billion. Bank borrowings have jumped from Rs 1052 billion to Rs 1546 billion. Total business of the bank has increased significantly from Rs 2313 billion to Rs 3442 billion.

Thus, increased borrowing & higher business of the bank indicates that bank has contributed significantly to the needs of exporters. However, despite the positive role of Exim Bank, India's share in global trade has remained less than two percent and the trade balance has remained negative over the years. This due to higher imports and lower exports, so to solve this problem the responsibility is of all stakeholders such as industry, government, financial institutions.

**Keywords:** Exports, Imports, Regional Trade Agreement, Line of Credit, Insurance.

### 1. INTRODUCTION

EXIM Bank was established in year 1982 as the apex bank for foreign trade. Concept of Exim bank was originated in United States in 1934 which was formed to finance business during the recession or depression. Many other countries such as UK, Japan, China, India adopted this to promote their exports & imports. The major goals of Exim bank include are:

- Promoting exports & foreign trade
- Overcoming trade risks
- Enhancing business global competency
- Provide pre shipment & post shipment finance
- Creation of trade infrastructure.

#### The major functions of Exim bank are:

- Providing short term and long-term credit to exporters
- Offer credit insurance and risk coverage to protect exporters from possible losses.
- Giving guarantee to financial institutions and banks to encourage funding to exporters
- Provide lines of credit to business houses, government to get global business
- Financing foreign buyers to make purchases from Indian exporters

- Encourage small and medium business units to participate in foreign trade.
- Offering overseas investment for setting up joint venture and subsidiaries in foreign countries.

Thus, Exim bank plays a pivotal role in boosting international trade and strengthening businesses to expand throughout world.

## 2. OBJECTIVES

The objectives of the research are:

1. To find out the major goals and functions of Exim bank.
2. To assess the term loan approved and disbursed by the bank over the period.
3. To correlate Exim bank financing and India's export trade.
4. To review working capital loans, overseas innovative finance, production equipment finance and other finance related to trade
5. To find out the major challenges faced by Exim bank

## 3. REVIEW OF LITERATURE

Review of literature on research topic are as below:

**1. Pankaj Kumar (2024)** reviewed financial assistance extended by Exim Bank and India's export performance. During the first phase (1990-1996) it was observed that the Exim bank disbursement ratio was 80.44% and unused fund was 20 %. Trade Balance of the country was negative due to higher imports than exports. During second phase (1996-2004) disbursement to loan sanctioned ratio was 79.39%. In third phase (2005-2014) disbursement ratio was 83.60%. During fourth phase (2014-2023) disbursement ratio was 80.32%. Hence bank should take steps to enhance its disbursement to sanction ratio, which will more benefited to exporters.

**2. P. Smrithi, V Nair (2024)** explores correlations between exports and Country's economic growth. India aims at achieving 5 trillion USD by the end of 2030. Research shows that when exports rise by 1%, GDP will increase by 0.70%. Hence there is direct correlation between exports and GDP. Research indicated that other determinants of exports are global GDP, inflation and regional trade agreement. When global GDP rises by 1%, country export rises by 2.5%. When domestic inflation is 1% simultaneously exports decline of 0.008%. Regional trade agreement leads to rise in exports of 0.03%.

**3. Sangeetha and Y Muniraju (2024)** analysed trends in India's foreign trade during 2022-23. Total exports were 66.33 billion USD and imports were 71.50 billion USD and trade balance was 5.17 billion USD. Major composition of exports was engineering products and electronics products, Gem & Jewellery, Drugs. Products exhibited negative growth were readymade garments, leather goods, organic chemicals, rice, plastic, tea, carpet, man-made fiber etc.

In case of imports, positive trends were observed in gold, coal, electronic goods, machinery, artificial resin etc. Negative growth was found in products like vegetable oil, petroleum, iron & steel, transport equipment. Thus, there are significant changes taken place in the composition of India's exports & imports. This is result of the process of economic development.

**4. Kumar Aditya and Dr J P Singh (2019)** analysed major role played by Exim Bank in creating better exporting environment for domestic companies. Exim bank is govt. owned bank established in 1982 for purpose of promoting a trade in global market. Bank provides medium-term & long-term loans to exporters for various capital expenditure as well as production or working capital requirements. Bank also provides finance for global joint ventures of Indian companies. Bank is also nodal agency for Textile Upgradation Fund of Government of India. Finance is also given for import of technology and machinery.

Bank financing revealed that there is rapid increase in financing for export-oriented units, working capital requirement, machinery and equipment, finance overseas investments, textile upgradation funds over the period. In overall all financings there is a gap between finance approved and finance disbursed.

**5. Dr. Soheli Ghose & Sumit Kumar (2015)** analysed performance of Exim Bank in promotion of exports. Bank provides various types of finance to exporters, importers, promote trade. Bank provides different types of guarantees like advance payment guarantee, performance guarantee, retention money guarantee. Bank plays an important role in improving exporters competitiveness. Bank should continue to expand its financing and other services so that exports from country can be accelerated.

**6. Shameek Mukherjee (2012)** highlighted exports and imports performance. Average growth rate of exports over the period has increased from 6.8% in 1970-80 to 11.40% in 1991-97. On the other hand, imports' average growth rose from 6.70% to 10.60%. However, share of exports in global market has remained less than 0.60%. Merchandise exports accounted major share till 1996, since then there is increasing trend of service exports. In China and Brazil major export contribution (90%) come from merchandise exports, China's global market share has reached 10.30% in 2009 while India's share has reached

1.50%. India's manufactured exports share is only 1.40% while China's share is 10.20%.

#### 4. RESEARCH METHODOLOGY

Research methodology of present research as below:

**1. Type of Research Design:** Best research design in present research is Descriptive Research design as it is useful in assessing current status about role & policies of Exim Bank in promoting export.

**2. Sources of Data:** Research is based on available secondary data and published material on topic. It includes Exim Banks annual reports and literature review from various research papers.

**3. Data Analysis:** Secondary data has been presented with tables and charts. Data has been analysed in terms of percentage changes and share.

**4. Limitations of the Research:** Some of the limitations of research are:

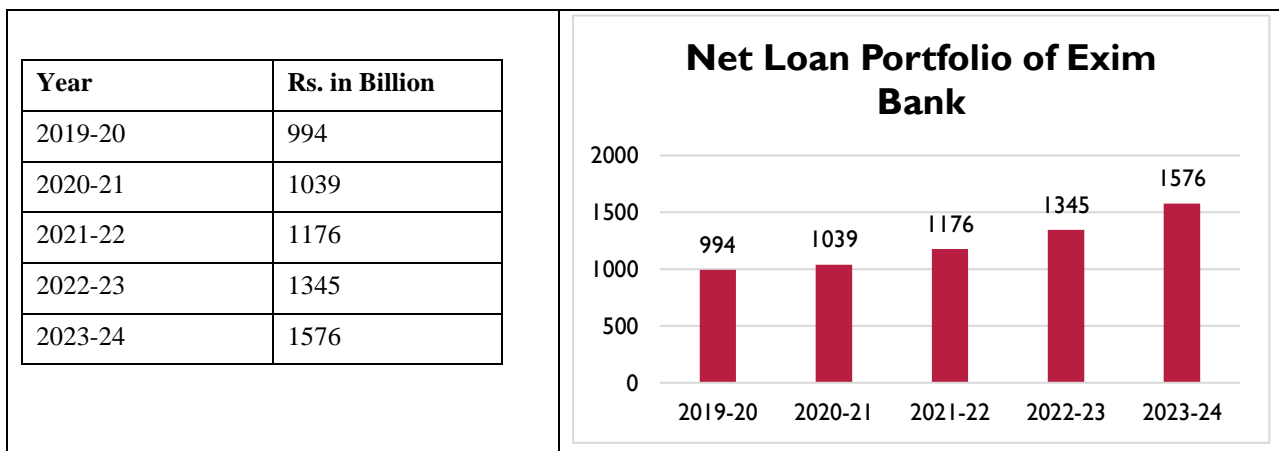
- 1) Research focuses on macro-overview and & on micro perspectives of exporters & importers.
- 2) Only quantitative data has been used and not the qualitative data.
- 3) Research has covered limited variables in data analysis. Other details such as Exim Bank profitability, Non-Performing Assets have not been covered.
- 4) Period of research is from 2019-20 to 2023-24 only.

#### 5. DATA ANALYSIS

Details of data analysis can be seen in following tables & charts:

- 1. Net Loan Portfolio:** It indicates total outstanding loans given by Exim bank after making necessary provisions. It included credit extended to exporters, importers & others for trade. It is one of the major indicators of the bank's lending operations and risk exposure. The net loan portfolio of Exim bank can be seen from below table:

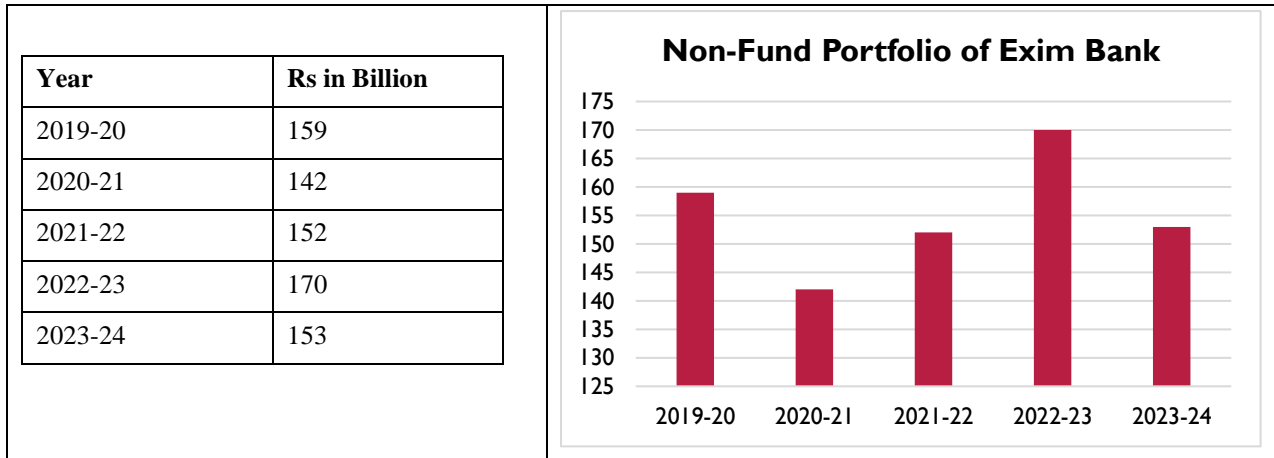
**Table No. 1 Net Loan Portfolio of Exim Bank**



**Source: Annual Report of Exim Bank 2023-24**

It can be observed from above table that net loan portfolio of bank which was Rs. 994 billion in 2019-20 increased to Rs. 1576 billion in 2023-24. Growth in net loan is 58.55% for 5 years is 14.63% per year. Thus, funding operation of bank has increased significantly during period.

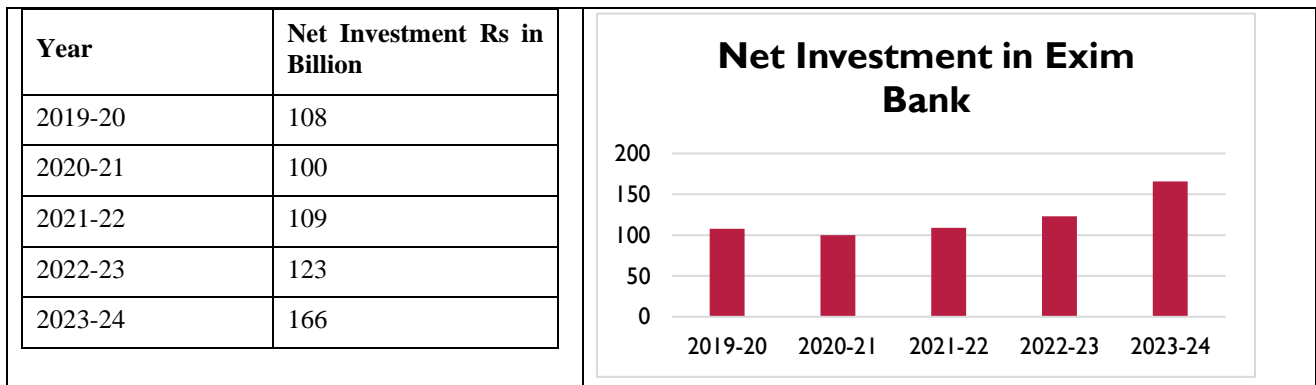
**2 Non-Fund Portfolio:** Bank not provide finance but offer guarantees such as letter of credit, performance guarantee, export credit guarantee. Non-fund portfolio of bank is as below:

**Table No 2 Non-Fund Portfolio of Exim Bank**

**Source: Annual Report of Exim Bank 2023-24**

Seen from above table that there is decline in non-fund portfolio after reaching high in 2022–2023 from Rs 159 billion to Rs 170 billion. In subsequent year it declined to Rs 153 billion. It may be due to less demand from exporters, reduced exports or bank focus on fund-based lending.

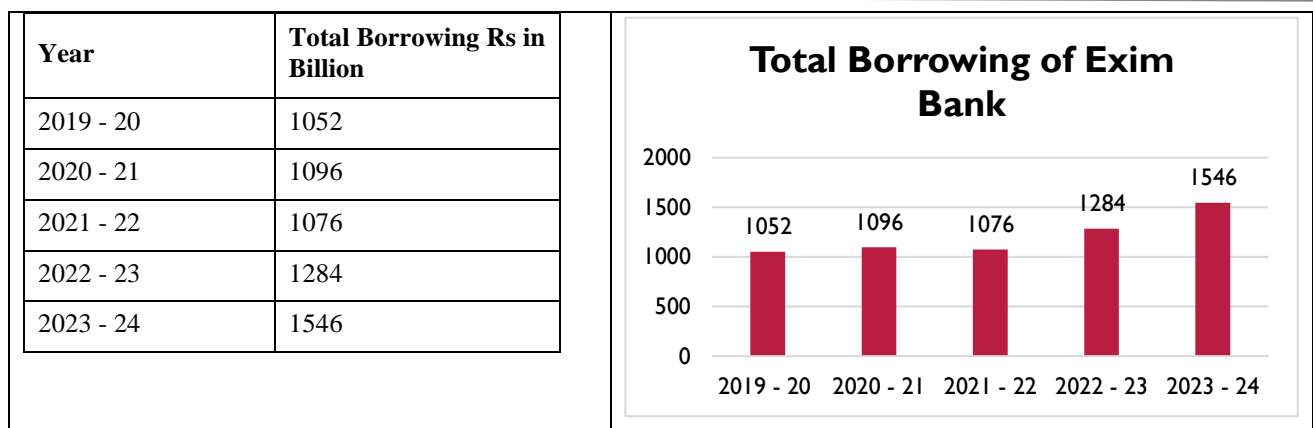
**3. Net Investment of Exim Bank:** Net investment during 2019-20 to 2023-24 are as below: -

**Table No 3 Net Investment in Exim Bank**

**Source: Annual Report of Exim Bank 2023-24**

Above data shows net investment of bank rose from Rs 108 billion in 2019-20 to Rs 166 billion in 2023-24; increase by 53.70% during 2019-20 to 2023-24. It shows expansion in bank's trade activities of lending, financing & projects investments. It also offers higher returns to bank.

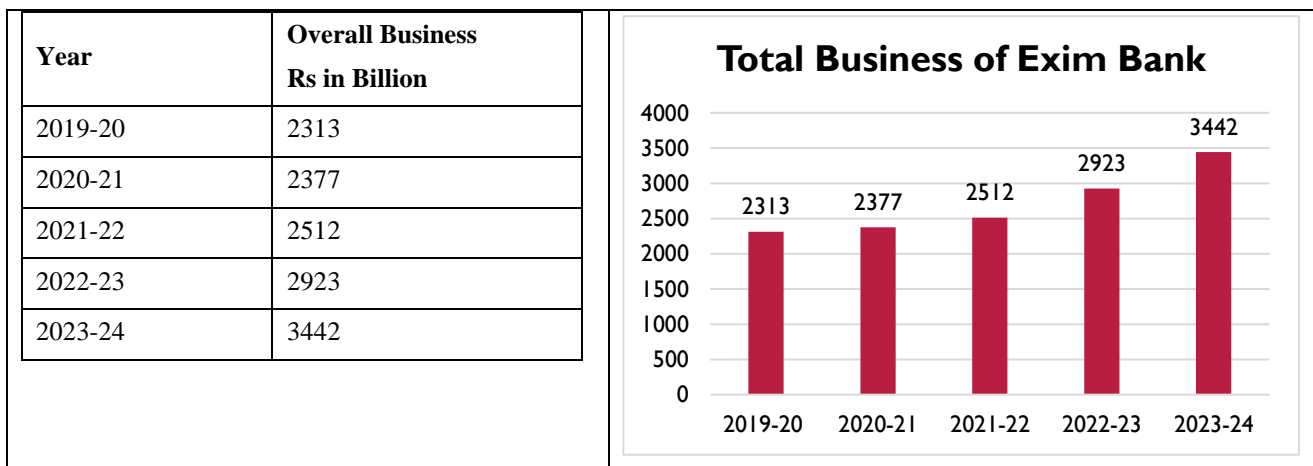
**4. Total Borrowing of Exim Bank:** Total borrowing of Exim bank can be seen as below:



Source: Exim Bank Annual Report 2023-24

It seems that banks borrowing indicates an increase of Rs 494 billion during 2019-20 to 2023-24, increase to 46.90%. Shows that bank needs more funds to conduct its business operations.

5. **Total Business of Exim Bank:** Overall business of bank can be seen below:



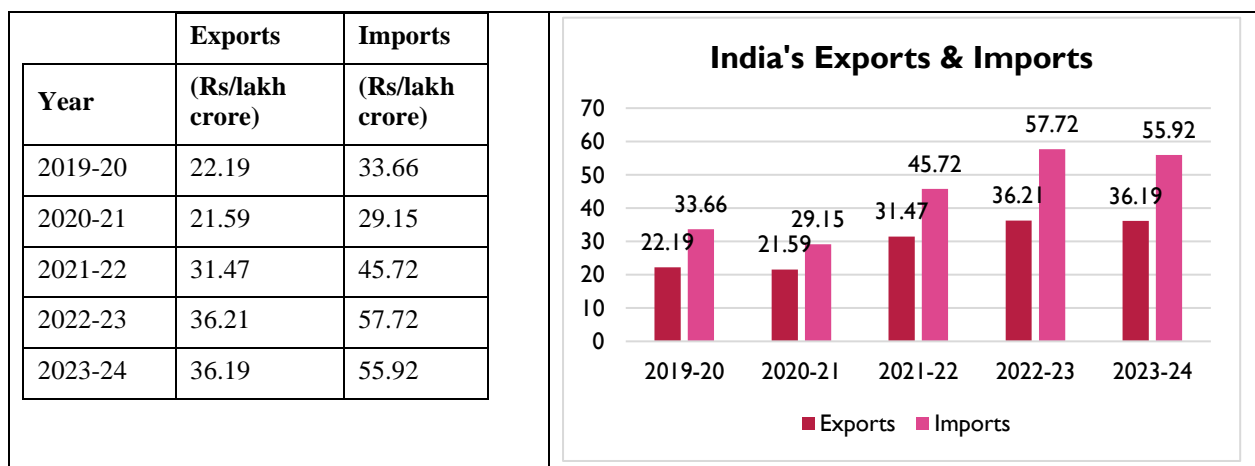
Source: Exim Bank Annual Report 2023 - 24

It shows that total business of Exim Bank has increased from Rs 2313 billion in 2019-20 to Rs 3442 billion in 2023-24, increase of 49%. It suggests that bank is contributing significantly in providing finance to exporters.

6. **India's Exports & Imports:** India's global trade can see from following table:

Table No 6

**India's Exports & Imports**



Source: Economic Survey Govt. of India 2023-24

India's exports increased from Rs 22.19 lakh crore in 2019-20 to Rs 36.19 lakh crore in 2023-24 indicating an increase of 63%. On the other hand, imports rose from Rs 33.60 lakh crore in 2019-20 to Rs 55.92 lakh crore in 2023-24, showing an increase of 66 percent. Trade deficit is widening as imports are much higher than exports. India's trade volume as well as Exim bank's business suggest direct correlation between the two. Exim bank helped businesses to improve exports competitiveness in global market. However, rapid increase in imports is result of globalisation of Indian economy. Hence effective steps should be taken to reduce gap in trade.

## 6. SUMMARY AND CONCLUSION

From above research conclusions drawn as below:

1. India has established specialised financial institutions for different sectors like agriculture (NABARD), industry (IDBI & SIDBI) and foreign trade (Exim Bank). This helped apex institutions to look after specific needs of sector. Exim bank was established in year 1982 with objective to promote India's trade & improve business competitiveness at global level.
2. Exim Bank is 100% owned by Government of India. It is regulated by Reserve Bank of India. Financial products offered by bank includes buyer's credit, corporate banking, lines of credit, overseas investment finance and project exports. Services offered by bank include marketing and export advisory services, research analysis, term deposit schemes.
3. Foreign trade has expanded rapidly over the period. Exports have increased from 22.19 lakh crore in 2019-20 to Rs 36.19 lakh crore in 2023-24. On the other hand, imports went up from Rs 33.60 lakh crore to Rs 55.92 lakh crore during the same period. The trade deficit has increased from Rs 11.41 lakh crore to Rs 19.73 lakh crore during the 2019-2024 period.
4. Total business of Exim Bank has increased rapidly from Rs 2313 billion in 2019-20 to Rs 3442 billion in 2023-24. Borrowings have increased from Rs 1052 billion to Rs 1546 billion during period. Net investment increased from Rs 108 billion to Rs 166 billion during period.
5. Exim bank played significant role in boosting India's exports, imports & helping cross border transactions. It helped business units, including micro, small & medium enterprises, to improve competitiveness in global market and explore new market for products.

Important role played by Exim Bank in promoting India's global trade share has remained less than 2%. efforts should be made to improve export competitiveness in global market and other measures like higher financial resources, free trade agreement, faster loan approval process, higher disbursement. Raising global trade share is responsibility of all stakeholders. Hence government, exporters, small & medium enterprises, financial institutions work together to achieve goal of high market share & boost Indian global trade.

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