

**For the Students of B. Com. Sem IV**

**Subject: Foreign Trade of India (Unit III)**

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## **EXIM Bank**

### **An Introduction**

Adequate and smooth financing is a pre condition for any economic activity to occur in a successful manner. Foreign trade is not an exception to this fact. There is always a need to supply required funds for financing different types of activities which take place in import or export of merchandise from one nation to the others.

India has been facing the problem of adverse BOP since the independence and remained under pressure for correcting it by export promotion and import reductions. However import of some crucial items like petroleum products, chemicals etc. was also important for developmental activities. Enhancing the trading activities across the globe also needs funds which was a great obstacle for Indian importers and exporters. Looking at the requirement of a sound financial institution for financing trading abroad, Government of India established ExportóImport Bank in 1982 under Export-Import Bank of India Act 1981. It was mainly set up for promoting global trade and investment at a larger extent.

The main function of this non banking financial institution is to provide financial and other assistance to importers and exporters of the country. It also looks after and facilitates the working of other institutions involved in this sector.

### **Organization Set up:**

The organisation structure of this bank is of diversified nature. It is managed by an apex level body called Board of Directors which is headed by Managing Director. There are 17 other Directors on the board who includes representatives from the Government, Reserve Bank of India, Export Credit Guarantee Corporation of India, public sector banks, and the business community.

The organizational structure can also be presented on the basis of several operating groups which are performing distinguished functions as under:

- Small and Medium Enterprises: The group handles credit proposal from SMEs under various lending programmes of the Bank.
- Corporate Banking Group which handles a variety of financing programmes for Export Oriented Units (EOUs), Importers, and overseas investment by Indian companies.
- Export Services Group offers variety of advisory and value-added information services aimed at investment promotion.
- Export Marketing Services Bank offers assistance to Indian companies, to enable them in establishing their products in overseas markets. The idea behind this service is to promote Indian export. Export Marketing Services covers wide range of export oriented companies and organizations.
- Project Finance/Trade Finance Group handles the entire range of export credit services such as suppliers credit, Preshipment Agri Business Group, to spearhead the initiative to promote and support Agri-exports. The Group handles projects and export transactions in the agricultural sector for financing.
- Besides these, the support services groups, which include: Research and Planning, Treasury and Accounts, Loan Administration, Internal audit, Management Information Services, Information Technology, Legal, Human Resources Management and Corporate Communications.

### **Key Points about EXIM Bank**

1. EXIM Bank is a public sector financial institution, established by an Act of Parliament for the purpose of financing, facilitating, and promoting foreign trade of India.
2. The EXIM Bank Act empowers the Bank to finance export of consultancy and related services, assist Indian joint ventures in third countries, conduct export market studies, finance export oriented industries and provide international merchant banking services.
3. The Bank's authorised capital is 200 crores which can be increased to 500 crores. The Bank can also raise loan resources from: (i) the Government of India (ii), the Reserve Bank of India, (iii) the Indian capital market, and (iv) the International markets.

4. The paid up capital as on March 31, 2015, stood at Rs. 5,059 crore and the Net Worth stood at Rs. 9,902 crore. Profit after tax of the Bank for the year 2014-15 amounted to Rs. 726 crore.
5. The Bank facilitates two-way technology transfer by financing import of technology into India, and investment abroad by Indian companies for setting up joint ventures, subsidiaries or undertaking overseas acquisitions.
6. During the year ended 31st March, 2015, EXIM Bank sanctioned loans of Rs. 57,684 crore, while disbursements amounted to Rs. 38,508 crore. Loan Assets stood at Rs. 86,953 crore as on March 31, 2015.
7. Other than providing financial assistance, the Export and Import Bank of India bank is always looking for ways to promote the foreign trade sector in India. In the early 1990s, EXIM introduced a program in India known as the Clusters of Excellence.

## **Functions of the EXIM Bank**

EXIM Bank performs the following functions:

- a. EXIM Bank provides Finances for the purpose of import and export of goods and services from India.
- b. It also facilitates the funding of import and export from countries other than India.
- c. It finances the [import](#) or export of machines and machinery on lease or hires purchase basis as well.
- d. The bank provides refinancing services to banks and other financial institutes for their financing of foreign trade
- e. It also undertakes the responsibility of underwrite shares/[debentures](#)/stocks/bonds of companies engaged in foreign trade. f. Apart from financial support, the bank also provides technical and other assistance to traders. This institution provides guidance and assistance in technical as well as administrative matters as there are multiplicity of documentation and foreign trade procedure which becomes sometimes cumbersome for a person.
- g. Undertakes functions of a merchant bank for the importer or exporter in transactions of foreign trade.
- h. Indian businessmen wishing to collaborate with foreign players in other countries can also avail financial assistance.
- i. In order to promote exports EXIM bank also has schemes such as production equipment finance program, export marketing finance, vendor development finance, etc.

j. Short-term loans or lines of credit are also provided to foreign banks and governments.

k. EXIM bank can also provide business advisory services and expert knowledge to Indian exporters in respect of multi-funded projects in foreign countries.

### **Policies and Program initiated by EXIM Bank**

- The EXIM Bank provides Indian project exporters with a comprehensive range of services to enhance the prospect of their securing export contracts, particularly those funded by Multilateral Funding Agencies like the World Development Bank, Asian Development Bank and European Bank for Reconstruction and Development.
- The Bank extends lines of credit to overseas financial institutions, foreign governments and their agencies, enabling them to finance imports of goods and from India on deferred credit terms.
- EXIM Bank's lines of Credit preclude credit risks for Indian exporters and are of particular relevance to SME export.
- The Bank's Overseas Investment Finance programme offers a variety of facilities for Indian investments acquisitions overseas. The facilities include loan to Indian companies for equity participation in overseas ventures, direct equity participation by EXIM Bank in the overseas venture and non-funded facilities such as letters of credit and guarantees to facilitate local borrowings by the overseas venture.
- The Bank provides financial assistance by way of term loans in Indian rupees/foreign currencies for setting up new production facility, expansion/modernization/upgradation of existing facilities and for acquisition of production equipment/technology. Such facilities particularly help export oriented Small and Medium Enterprises for creation of export capabilities and enhancement of international competitiveness.
- The Bank has launched the Rural Initiatives Programme with the objective of linking Indian rural industry to the global market. The programme is intended to benefit rural mor through creation of export capability in rural enterprises.
- In order to assist the Small and Medium Enterprises, the Bank has put in place the Export Marketing Services (EMS) Programme. Through EMS, the Bank seeks to establish, on best efforts basis, SME sector products in overseas markets, starting

from identification prospective business partners to facilitating placement of final orders. The service is provided on success fee basis.

- Under its Export Marketing Finance programme, EXIM Bank supports Small and Medium Enterprises in export marketing efforts including financing the expenditure relating to implementation of strategic and systematic export market development plans
- EXIM Bank supplements its financing programmes with a wide range of value-added information, advisory and support services, which enable exporters to evaluate international risks, exploit export opportunities and improve competitiveness.

### **Export Financing Programmes Operated by EXIM Bank**

(i) Bulk import finance

(ii) Small scale industry Enables Banks to Rediscount

(iii) Pro-shipment credit (period exceeding six months)

(iv) Export Bills Rediscounting

(v) Export oriented units and units in export processing zones

(vi) Export Marketing Fund

(vii) Consultancy and technology services

(viii) Relending facility to international banks overseas

(ix) Overseas Buyer's credit

(x) Export product development

(xi) Overseas Investment Finance

(xii) Computer Software exports

(xiii) Refinance of export credit