

## **EXIM Based Credit Policies of India**

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### **Abstract**

The economy of India is characterised as a middle income developing market economy. It is the world's fifth-largest economy by nominal GDP and the third-largest by purchasing power parity (PPP). According to the International Monetary Fund (IMF), on a per capita income basis, India ranked 142nd by GDP (nominal) and 124th by GDP (PPP) in 2020. From independence in 1947 until 1991, successive governments promoted protectionist economic policies with extensive state intervention and economic regulation, which is characterised as dirigism, in the form of the License Raj. The end of the Cold War and an acute balance of payments crisis in 1991 led to the adoption of a broad economic liberalisation in India. Since the start of the 21st century, annual average GDP growth has been 6% to 7%, and from 2014 to 2018, India was the world's fastest growing major economy, surpassing China.

Historically, India was the largest economy in the world for most of the two millennia from the 1st until 19th century.

*Keywords: EXIM Banks in India, EXIM Policies in India, EXIM Scenarios*

### **Introduction**

Exim Bank was established by the Government of India, under the Export-Import Bank of India Act, 1981 as a purveyor of export credit, mirroring global Export Credit Agencies. Exim Bank serves as a growth engine for industries and SMEs through a wide range of products and services. This includes import of technology and export product development, export production, export marketing, pre-shipment and post-shipment and overseas investment.

Exim Bank extends Lines of Credit (LOCs) to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructure projects, equipment, goods and services from India, on deferred credit terms. EXIM Bank has laid strong emphasis on enhancing project exports, the funding options for which have been enhanced with introduction of the Buyer's Credit-National Export Insurance Account (BC-NEIA) program. During the year ended March 31, 2020, EXIM Bank sanctioned loans of Rs 40255 crore, while disbursements amounted to Rs 33735 crore. Loan Assets stood at Rs 99447 crore as on March 31, 2020.

The long-term growth perspective of the Indian economy remains positive due to its young population and corresponding low dependency ratio, healthy savings and investment rates, and is increasing globalisation in India and integration into the global economy. The economy slowed in 2017, due to shocks of "demonetisation" in 2016 and introduction of Goods and Services Tax in 2017. Nearly 60% of India's GDP is driven by domestic private consumption and continues to remain the world's sixth-largest consumer market. Apart from

private consumption, India's GDP is also fueled by government spending, investment, and exports. In 2019, India was the world's ninth-largest importer and the twelfth-largest exporter. India has been a member of World Trade Organization since 1 January 1995. It ranks 63rd on Ease of doing business index and 68th on Global Competitiveness Report. With 500 million workers, the Indian labour force is the world's second-largest as of 2019. India has one of the world's highest number of billionaires and extreme income inequality. Since India has a vast informal economy, barely 2% of Indians pay income taxes. During the 2008 global financial crisis the economy faced mild slowdown, India undertook stimulus measures (both fiscal and monetary) to boost growth and generate demand; in subsequent years economic growth revived. According to 2017 PricewaterhouseCoopers (PwC) report, India's GDP at purchasing power parity could overtake that of the United States by 2050. According to World Bank, to achieve sustainable economic development India must focus on public sector reform, infrastructure, agricultural and rural development, removal of land and labour regulations, financial inclusion, spur private investment and exports, education and public health.

The functions of Exim Bank include:

- (a) Planning, promoting and developing exports and imports;
- (b) Providing technical, administrative and managerial assistance for promotion, management and expansion of exports; and
- (c) Undertaking market and investment surveys and techno-economic studies related to development of exports of goods and services.

The Exim Bank has a 17-member Board of Directors, with Chairman and Managing Director as the chief executive and full-time director. The Board of Directors consists of the representative of the Government of India, RBI, IDBI, ECGC, commercial banks and the exporting community.

The authorised capital of Exim Bank is Rs. 200 crores, of which Rs. 75 crores is paid up. The banks have secured a long-term loan of Rs. 20 crores from the Government of India. It can also borrow from the RBI. It is empowered to raise resources in domestic and international markets.

The Bank began its lending operations from March, 1982. Till June, 1982, it has extended assistance up to Rs. 133 crores to the export sector in various ways.

The establishment of Exim Bank may be regarded as a right step in the export promotion policy and programme of the Government.

During 1984, the Exim Bank sanctioned various programmes of funded assistance of Rs. 430 crores. It also launched a new programme to provide term finance for export-oriented units, under which assistance was provided through a consortium for establishing a 100 per cent export unit in the ceramics industry.

The Exim Bank also extended its financial assistance to Indian exports through letters of credit, re-lending facility, export bills rediscounting, overseas investment finance, facilities for deemed exports and assistance to hundred per cent export units and units in free trade zone.

At the end of December 1984, the Exim Bank's outstanding underfunded and non-funded assistance amounted to Rs. 415 crores and Rs. 510 crores, respectively.

In 1984, the Exim Bank signed a loan agreement to borrow one billion yen from the Japanese commercial yen market.

In June 1986, the Exim Bank introduced a new programme called the Export Marketing Fund (EMF), under which finance is made available to Indian companies for undertaking export

marketing activities. The programme also covers activities like desk research, minor product adaptation, overseas operations and travel to India by buyers overseas. During 1986, Rs. 78 lakhs were sanctioned, while Rs. 3.4 lakhs have been utilised under the EMF.

On whole, the Exim Bank concluded an agency credit line of US \$ 15 million with the International Finance Corporation (IFC).

During 1994-95, Exim Bank sanctioned Rs. 2,466 crore and disbursed Rs. 2,130 crore of financial assistance under various lending project.

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