

ROLE OF INTERNATIONAL BUSINESS IMPORT BANK IN INTERNATIONAL BUSINESS FINANCE

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ABSTRACT

Prior 1982, there exists only Commercial Banks, RBI and Industrial Development Bank which were financing those traders who were engaged in International Business trade. But there was no particular bank which can provide various facilities relating to finance and consultancy services to the International Exporters. The Government's decision to set up the bank was announced by the then Finance Minister Mr. Venkataraman while unveiling budget for the current fiscal year. In this regard, in January 1982 Exim Bank was set up to take over the operations of International Financial and consultancy assistance to International Exporters and to function as principal Financial Institution for coordinating the work of other institutions engaged in financing of International Business of goods and services. In India, EXIM bank is the apex financial institution in the field of International Business financing as well as in facilitation of International Business of nation. In this regard, the International Business financing is one of the main functions performed by EXIM bank. Hence, the study of financing International Business with respect to EXIM bank becomes significant. The present study is an attempt to examine and analyze in detail about the role of EXIM bank in the contributing the International Business finance. The study is purely based on secondary data. Therefore, the reliability of results of the study will be based on the accuracy of the secondary data. Further, the study is carried out for a period of 20 years (2000-01 to 2019- 20) only. The major limitation in the present study is that the factors like political instability, devaluation of rupee, and all other external & uncontrollable forces which have got major bearing in the International Business of the economy have been excluded from the purview of the study.

Keywords: *International Business, Contribution, Performance, Functioning, Reliability, Consultancy.*

Introduction

International Business finance has emerged as an important factor in today's international business environment. International Business finance plays a crucial role in enabling International Exporters in accepting and efficiently executing their International Business orders. There are various agencies involved in providing International Business finance in India namely Reserve Bank of India, The International Business Import Bank of India, Commercial banks and the International Business credit guarantee corporation of India (ECGC). But our study encompasses mainly the functioning of EXIM Bank of India along with a small reference to other institutions involved in International Business financing such as RBI, Commercial banks and ECGC. The scope of the study tries to cover numerous aspects of the working of EXIM bank in India in relation to International Business Financing. Being a premium as well as principal financial institution in the field of exports, EXIM bank made vital contributions in this field right from its establishment in 1982. In this regard, the researcher made an attempt to examine the scope of the study that includes review of its historical development, in-depth analysis of financial performance of the bank, appraisal of International Business Financing schemes, financial evaluation of export-oriented units and review of value-added services programs. The Consultancy Support as a part of value-added

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services of EXIM Bank, in this regard the bank has been playing the key role in facilitating exporters by sharing its experience and expertise through its various consultancy program. The range of services offered by the bank is administered through innovative funding solution that encompasses the overall consultancy business cycle. Workshops & Seminars as a part of value-added services of EXIM Bank is that the bank has been supporting and assisting rural artisans and craftsmen of handicraft products to gain domestic as well as international presence by organizing design development workshops.

International Business

'International Business refers to the movement of goods across national borders and relates to International Business and import. Thus; the academic study of International Business is concerned with trade flows; commercial policies; resource allocation and adjustments capital movements; balance of payments analysis and international monetary arrangements...etc.' International Business is an essential sector of an economy and contributes significantly to the economic well-being of the people as well as in the up gradation of resources. Today no country in the world is self-sufficient for economical production of all the goods and services that are entirely consumed by its people. In fact no country can produce all goods that it requires. Hence, it becomes important to trade with others. Generally, developing countries need more goods to feed constantly rising population. In this regard, exports acts as a catalytic sector in growth. This means that increased earnings from higher marketability of nation's products in the international market would enhance the indigenous industrial activity in the country. This will lead to many unique benefits, such as, huge employment opportunities, optimum utilization of resources and enhancing foreign exchange reserve, etc. International Business is considered not to be simply a device for attaining productive efficiency, but also an engine of growth. When trade is introduced in to a primitive economy, it acts as a dynamic force opening the extent of the market and the scope for "division of labor". International Business also serves the dissemination of technical knowledge, managerial talents and entrepreneurship. Further. International Business also stimulates movement of foreign capital. Overall, International Business can have a deep impact on the growth of an economy in terms of employment, technology, utilization of different resources and so on. It is generally viewed that a nation's economic position depends upon the nature of its economic dealings with other countries. An economy which has decided to embark on a program of development is required to increase its productive capacity at a swift rate. Hence, it becomes essential to import the machinery and equipment which cannot be initially produced in the country. Such imports assist in creating new capacity in some lines of production or enhance capacity in other lines of production. Generally, imports are essential for a developing economy as many of industrial developmental projects are held up for lack of maintenance imports. Hence, import of technology, capital and skilled manpower is very essential at various stages of development of an economy. It is very common that in such cases it will turn heavily against developing nations. This calls for enlargement of export. In this way, imports and exports are, thus, complementary in nature and needed to be pushed vigorously by all nations at different phases of development.

International Business Finance

International Business Finance refers to financial assistance extended by Banks and other financial institutions to businesses for the shipping of products outside a country or region. Further, International Business financing describes the activities of Government helping companies by financing their International Business activities. For fulfilling first objective of the study "Reviewing International Business Financing Structure in India" the present chapter takes into consideration historical development of International Business Finance through pre and post-independence period, meaning and types of International Business Finance and the related institutions (i.e. RBI, Commercial Banks, EXIM Bank and ECGC) involved in International Business financing in India with suitable references and sources. International Business financing begins after the order from the buyer has been received, the International Business order has been accepted, manufacturing for the International Business order begins, the shipping documents are issued, and its ends at parts when the goods are cleared. International Exporters can get the benefits of International Business Finance at two different stages that are pre-shipment finance stage and post-shipment finance stage. Pre-Shipment Finance refers to finance facilities and techniques extended to the International Exporters prior to the shipment of goods for the execution of the International Business order. Pre-shipment finance is provided to the International Exporters for the purpose of raw materials. Post-Shipment Finance refers to finance facilities extended to the International Exporters after the shipment of goods for catering working capital requirements. Thus, we can say that post -shipment finance serves as bridge financing for the period between shipment of goods and the realization of proceeds of goods and the realization of proceeds.

Pre and Post Shipment Finance in India are governed and regulated by the directives issued by the RBI and the rules framed by the Foreign Exchange Dealers Association of India. Promotion of International Business is an integral part of economic development of India. To achieve the objective of the promotion of International Business, RBI has taken certain steps to ensure free flow of financial assistance to the International Business sector at the concessional rates of interest. The commercial banks provide specific loans to the International Exporters at the concessional rates of interest against International Business order both at pre-shipment and post-shipment stage. The commercial banks are provided the refinance facility by the RBI and the EXIM Bank of India against the loans extended by them to the International Exporters. International Business Credit and Guarantee Corporation of India (ECGC) provide credit insurance/cover for short-term and medium/ long term International Business Finance as well as counter – guarantees extended by banks or institutions. The finance needs of an Exporter vary from time to time. The areas where finance would be essentially needed after Exporter obtains an International Business order will be at following stages:

- Purchase of raw materials, their processing and converting them into finished goods and packaging them for shipment.
- Availability of funds till the International Business benefits is realized.
- Refinance facilities so as to get the proceeds of International Business bills at the time of negotiation of International Business documents, soon after shipping the goods for handling working capital requirement.
- Refinance facilities for long-term credits offered for International Business of products.

Role of Export Import Bank in International Business Finance

Though finance is an essential requirement for all trading and commercial activities, it is more so in the case of international trade transactions because of their size and complexity. Exporters and Importers in foreign trade are separated by long geographical distances. This creates problems of transportation of goods from one nation to another nation. Further, goods remain in transit for long periods; there is major risk of loss due to damage or destruction. Also, communication between concerned parties becomes tough particularly because of language problems. All this adds to delay in finalizing foreign trade transactions and for this reason the need for finance becomes more acute. The Exim Bank specially focuses on medium and long-term financing, leaving short term financing to the commercial banks. The bank also undertakes the financing of project exports. It was thought that the bank should have regional offices, not only in India but also abroad. Exim Bank - wholly owned by Government of India, was established in 1982 with the objective of promoting India's International Trade and to function as the principal financial institution for coordinating the working of institutions engaged in financing exports and imports of goods and services.

Responding to the challenges of globalization of production, process accretion in private investment flows, emergence of world class commercial banks capable of infusing large capital and undertaking risks in project and trade financing, Exim Bank has over the years transformed its operations and re-oriented its strategies to cater not only to the financing needs of International Exporters and importers but also helping Indian companies to create International Business capabilities to globalize their business. With the passage of time, the bank has developed a unique range of financing products and services for promoting India's International Trade. The major operations of EXIM Bank now includes financing projects, products and service International Business, building International Business competitiveness, import financing for International Business, and consultancy services. Exim Bank provides financial assistance to Indian companies by way of a variety of lending programs via, Projects, Products and Services International Business Credit, Finance for International Business Oriented Units (EOUs) and Value-Added Services.

The Exim Bank of India with directives from the Government diversified its activities towards promotional roles through its different value-added services. Value - added service is a term that is used to refer to service options that are complimentary to but also ancillary to a core service offering. The value added services are not the core activity of the Bank. Rather, they are complementary components in a package of performed services. The purpose of *value* added services is to support exporters to win their loyalty. The different values based services provide by the Exim Bank include export marketing services, multilateral funded project, Joint venture facilitation, consultancy support, workshops and seminars, information and advisory services, and other export services like financial counseling, commercial services etc.

Conclusion

In recent times, foreign trade has occupied a vital position in economic growth and prosperity of a nation. It paves the way to become an integral part of the world and fosters international cooperation and integration. Further, it is much more significant for the developing nations which possess the goal of getting the reasonable level of economic development to improve the standard of living of their people. In this regard, the essential components of foreign trade are exports, imports and entre port of which exports carry a pivotal place mainly for developing nation like India. In the present scenario, every developing nation including India is modifying their financial measures in order to boost their exports. Hence, it calls up for an appropriate financing strategy. Lastly, the Information & Advisory Services as a part of value-added services of EXIM Bank, the bank provides a wide range of information, advisory and support services, which complements its financing programs. The scope of such services includes market related information, sector and feasibility studies, technology supplier identification, partner search, investment facilitation and development of joint ventures both in India and abroad.

Suggestions to Improve Role of Exim Bank in International Business Finance

As we know that the EXIM Bank is the apex bank in the field of export promotion. So, it must increase its capital base. As in the case of debt-equity ratio which shows that the EXIM Bank debt is maximum 9.34 times of the equity as against the normal standard of debt-equity ratio (i.e. 10:1). Hence, the bank has healthy scope of increasing the capital base with the help of debt instruments at regular intervals so that more effective results can be generated. Generally, EXIM Bank provides medium and long term finance through its various export related financing schemes. So my suggestion is that EXIM Bank should also look into short-term International Business Financing schemes to a certain extent. There exists an imbalance in the sanctions and disbursements of export credit which ultimately causes delay in disbursement. Hence, what requires here is the advent of automatic access to export credit so that the effect of delay in disbursements on export operations can be nullify. The EXIM Bank procedure for providing financial assistance to export oriented units through its related schemes is usually cumbersome and involves a lot of time. Normally it takes 2-3 months for reviewing and approving applications relating to the schemes which ultimately cause delay in providing loans to exporters. So, my suggestion is that bank must reduce this time limit for reviewing and approvals of loans.

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