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THE ROLE OF EXPORT FINANCING IN THE DEVELOPMENT OF THE INDIAN ECONOMY

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ABSTRACT

The export financing in India can contribute for the development and empowerment of the Indian economy. The export financing is essential for poverty alleviation of a nation and fostering sustainable economic growth. It is an innovative approach that combines with economic opportunity with skill-building, fostering young entrepreneurial potential and participation in international trade. The exports financing is considered as essential element for the growth of an economy. There is immense potential for India's export's sector as India's total exports have, increased in manifold in the last 10 decades and currently India contributes a major share to the GDP of the world. Export financing is essential for the exporters as the export businesses with high value that depends on financing. The export trade is facilitated with the availability of export finance at different stages in the form of the Pre-shipment finance and Post-shipment finance provided by export financing institutions on India. An exporter either procures the raw materials or imports for the processing of the same into finished goods and boarding them for international trade through ship and air. The export financing issues faced by the exporters, primarily involve the availability of adequate and timely finance, availability of concessional credits for preparing internationally competitive exports. Limited access to the export financing particularly for international exports acts as a major obstacle for entrepreneurs. This research paper highlights the significance of export financing for Indian exporters and focuses on the development through skills and capacity building that contributes to the upliftment of export activities throughout the Nation.

KEYWORDS: *Development, Empowerment, Export Financing, Pre-Shipment Financing and Post-Shipment Financing*

INTRODUCTION

Export financing refers to the process of funding to the exporters to facilitate and expand their business in the global market. The export financing acts as a cash flow solution to the exporters for preparation of exportable goods and services and other global transactions requirements including using working capital. Export financing is an agreement for term funding available to exporters for trading with overseas importer. The exporters from Indian economy holds an immense potential to drive innovation, entrepreneurship and economic growth. In developing countries like India, exporters face obstacles such as unemployment, lack of access to capital, and inadequate knowledge of international markets. Export financing can serve an opportunity to empower exporters by providing financial aid and support to accelerate global trade. Export financing refers to the process of funding to exporters to facilitate and expand their business in the international market. The export financing acts as a cash flow solution to the exporters for preparation of exportable goods and services and other global transactions requirements including using working capital. Export finance allows the exporters to access working capital while the time taken by the overseas buyer to pay invoices. The Export finance is required by international businesses to assure the affordability for the production of goods and an assurance of receiving the payments for the exported goods from the overseas buyer. It helps to achieve lessor cost of production goal for the goods that have less comparative cost, it will lead to availability of goods at a lower price in the international market. The international trade encourages the scope of market with the increase in domestic demand and foreign demand for the products. Hence, the achievements of the foreign sector facilitate the development of the domestic sector and boosts the performance of foreign sector. The Export financing has a profound impact on the development and empowerment of the economy. Hence, we can infer that export financing is very significant to achieve positive balance of trade. Export financing provides assistance for the trading of goods and services at an international level. The Export finance provides assistance to exporters in exporting their goods and service for international market, to get access to working capital before the payments were received.

Export Financing Environment in India-

The export financing environment in India is efficiently stronger than other economies of the world. There are several export financing institutions in India. The key export financing institutions are Listed below:

- **Export-Import bank of India (EXIM Bank)-** A specialised financial institution that focuses on facilitating Indian exporters in the international market. It provides export credit, and trade-related services to exporters also provides lines of credit for overseas projects.
- **ECGC (Export Credit Guarantee Corporation of India)-** ECGC is an organisation established by the government of India for export organisation. The objective of ECGC is to improve the competitiveness of country's goods and services by providing them credit insurance coverage. The assistance for export financing is provided by ECGC. ECGC helps the exporters to improve their performance in terms of profitability, financial condition, and operational efficiency.
- **Reserve Bank of India-** RBI's sole responsibility for the control issue and maintaining of credit and rate of interest.

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The RBI is the foremost authority for the issue and maintenance of pre- shipment and post-shipment finance to the exporters from the nation for their various requirements RBI performs various functions for the availability of credit.

- **Commercial Banks-** The export financing services are offered by various Nationalized banks, private sector banks, foreign banks, regional rural banks, and specific cooperative banks.

Contribution of Indian Exporters in International Market

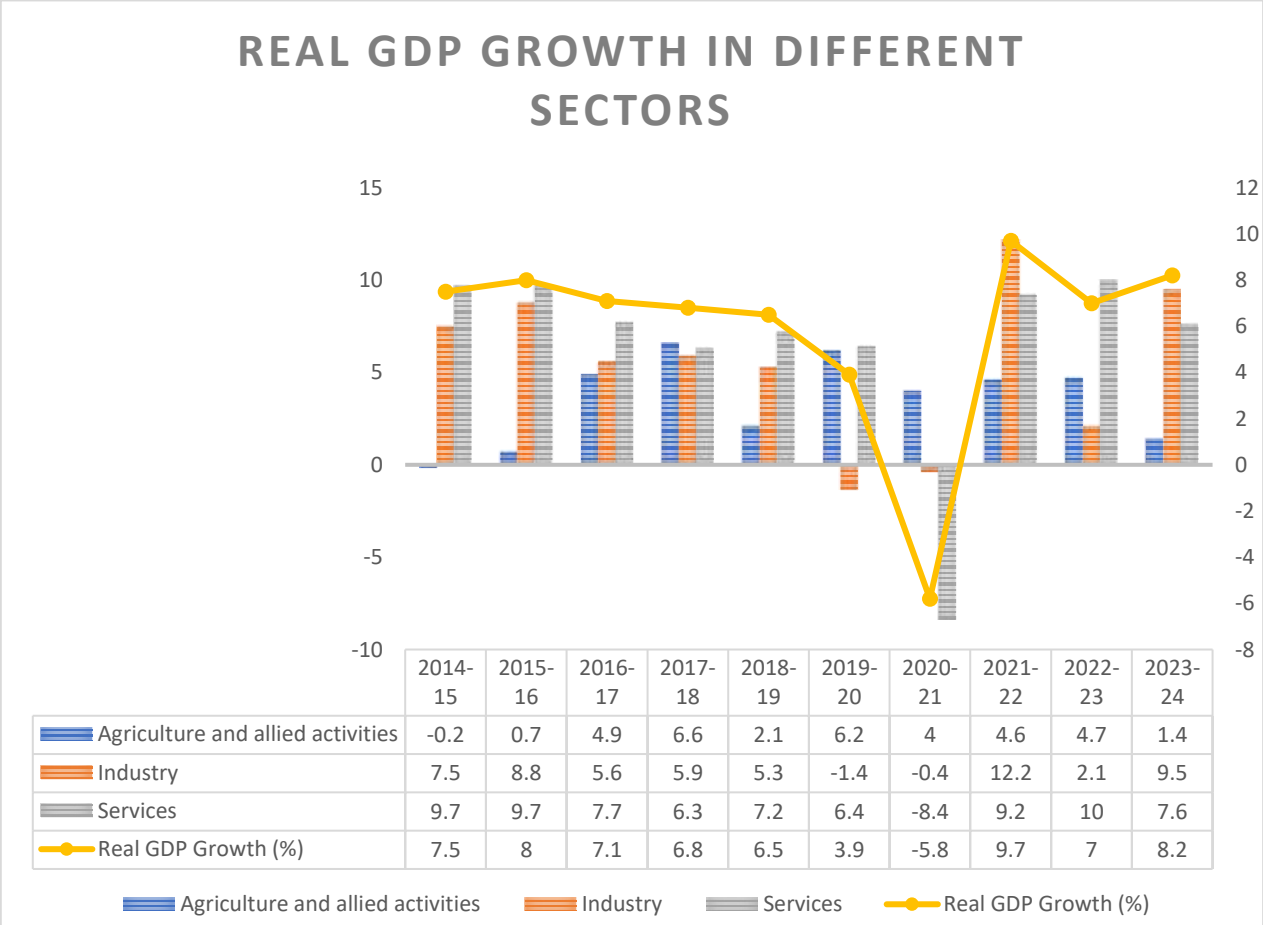
India is one of the leading exporters in the world economy. The variety of goods and services were exported from the Indian economy. The top exports from the Indian economy are Refined petroleum ($97.4 Billion), Gems and Jewellery ($38.0 Billion), and agriculture and allied products ($52.3 Billion), Chemical products ($57.4 Billion) and Machinery ($39.0 Billion) as per EXIM annual report 2023.In the year 2007, the economy was ranked 26th in export of goods which comprises about 1.1% of the world trade whereas in the year 2012, this economy reached 20th position, which comprises about 1.6% of the world trade. Hence, in the year 2023 economy developed rapidly and reached the 17th position in goods exported from the economy, which comprises about 1.8% of the total trade.

India is a leading exporter in Global services trade. In the year 2007, the economy was ranked 11th in export of services which comprises about 2.4% of the world trade whereas in the year 2012, this economy reached 8th position, which comprises about 3.3% of the world trade. Hence, in the year 2023 economy developed rapidly and reached the 7th position in services exported from the economy, which comprises about 4.3% of the total trade.

India's merchandise exports are about USD 437.1 Billion in the last fiscal which shows a decrease of 3% in the annual report. However, the services exported from the economy is about USD 341.1 Billion in the year 2023-24 as against USD 325.3 Billion in the year 2022-23. This shows a positive growth over the last fiscal.

The Export Financing Institutions focuses on sectors that are crucial for international trade, which includes industrial, agriculture and service sector. The real GDP growth in the FY 2021-22 is found to be 9.7% in the economy. The real GDP growth in the FY 2022-23 is found to be 7.0% in the economy, whereas for the FY 2023-24 is found to be 8.2% in the economy.

The table below contains the data about the Real GDP Growth in Agriculture and allied activities, Industry, Services sector and total real GDP growth in the last decade (from EXIM Bank Annual Reports of 2014-15 to 2023-24).



	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Agriculture and allied activities	-0.2	0.7	4.9	6.6	2.1	6.2	4	4.6	4.7	1.4
Industry	7.5	8.8	5.6	5.9	5.3	-1.4	-0.4	12.2	2.1	9.5
Services	9.7	9.7	7.7	6.3	7.2	6.4	-8.4	9.2	10	7.6
Real GDP Growth (%)	7.5	8	7.1	6.8	6.5	3.9	-5.8	9.7	7	8.2

Source: EXIM Bank, compiled from EXIM Bank Annual Reports of 2014-15 to 2023-24, and EXIM Bank of India. (2023). EXIM Bank Data-India's Macroeconomic Indicators Report (2023).

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The contribution of export financing institutions to the Real GDP growth in different sectors of the economy over the period FY 2014 -15 to FY 2023-24 have been shown in Table. It can be inferred from the table that, the Industrial sector often receives significant attention because it is a major driver of exports. The real GDP growth in the economy for the FY 2023-24 is 8.2%. The real GDP growth for industrial sector in the FY 2023-24 is 9.5% in the economy. export financing institutions also supports agricultural and allied exports through various financing programs. Growth in this sector is found to be 1.4% and export financing institutions role in facilitating agricultural trade can have a remarkable impact on the sector's contribution to GDP. The services sector, plays a significant role in supporting international trade particularly in areas like finance, insurance, and logistics. export financing institutions may focus on enhancing the capacity of service industries to support exports. Growth in this sector is found to be 7.6% and export financing institutions role in facilitating service sector can have a significant impact on the sector's contribution to GDP.

The economic growth can be significantly extended to the other sectors of the economy. The growth of these sectors can be accelerated by export financing. The export financing facilitates the exporters from the nation in the international market also contributes to increase the GDP of the nation. It is a tool for economic planning and exports development.

Calculating GDP

GDP is determined by the following formula-

Y=C+ I+ G+ (X-M)

GDP(Y)=Gross Domestic Product
C= Consumption
I= Investment
G= Government Expenditure
(X-M) = Difference between total exports and total imports

Organisations that promote exports from India

The following are the major export promoting, financing, facilitating bodies in India:

- Agricultural and Processed Food Products Export Development Authority
- Apparel Export Promotion Council
- Basic Chemicals Pharmaceuticals & Cosmetic Export Promotion Council
- Carpet Export Promotion Council
- Cashew Export Promotion Council of India
- Chemicals and Allied Products Export Promotion Council
- Coffee Board
- Coir Board
- Coconut Development Board
- Cotton Textiles Export Promotion Council
- Council for Leather Exports
- Engineering Export Promotion Council
- Export Promotion Council for EOUs and SEZ Units
- Electronics & Computer Software Export Promotion Council
- Export Promotion Council for Handicrafts
- Federation of Indian Export organisations (FIEO)
- Gem & Jewellery Export Promotion Council
- Handloom Export Promotion Council
- Indian Silk Export Promotion Council
- Indian Oilseeds & Produce Exporters Association EPC (IOPEA)
- Jute Products Development and Export Promotion Council (JPDEPC)
- Marine Products Export Development Authority
- Project Exports Promotion Council of India
- The Plastics Export Promotion Council
- Power loom development and Export Promotion Council
- Pharmaceutical Export Promotion Council
- Rubber Board
- Service Export Promotion Council
- Shellac Export Promotion Council
- Spices Board
- Sports Goods Export Promotion Council
- Synthetic & Rayon Textiles Export Promotion Council
- Tea Board
- Telecom Equipment and Services Export Promotion Council (TEPC)
- Tobacco Board
- Wool and Woollen Export Promotion Council
- Wool Industry Export Promotion Council

Role of Export Financing in the development of the Indian Economy-

The Export financing plays a major role to support exporters from the Indian economy. It enables them to explore international market by ensuring financial liquidity. The export financing can be defined as the approach to emphasize on meeting the developmental needs, and provide them adequate resources to the exporters from the nation. It involves providing skills to peoples, resources and opportunities to achieve their potential. The benefits of export financing for development of the Indian Economy are listed below:

- The exporters can avail immediate access to finance or working capital.
- The exporters can avail working capital to invest for the growth of the business.
- The facility of Export finance is ideal for SME's (Small and Medium sized Enterprises) whose working capital is less thus they needs funds but have limited accessibility to raise fund.
- The export finance provides insurance coverage to exporters against credit risks.
- The export finance provides facilitation to exporters and enables them to compete in the international market.
- The export finance provides facilitation to the exporters to undertake market surveys for export promotion.
- The export finance helps to manage Regulatory Compliances.
- The export finance helps to manage Foreign Exchanges.
- The export finance helps to develop Infrastructure.

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Types of Export Finance provided to the Exporter-



❖ **Pre-Shipment Finance**

The pre-shipment finance refers to the availability of credit to the exporters before the shipment of goods for the preparation of export order. Pre-shipment finance is the loan granted to an exporter for the processing and packaging of goods and services. Hence, it is also known as **"Packing Credit".**
RBI defines Pre-shipment Credit "It refers to any loan granted to an exporter for financing the purchase, processing, manufacturing or packaging of goods".

❖ **Post- Shipment Finance**

Post shipment finance refers to the credit granted to the exporters for fulfilling the requirement of working capital after the shipment of goods. The post shipment finance is granted by the commercial banks to the overseas buyer, for short-term duration generally less than one year. The post-shipment finance is granted after the shipment of goods and presentation of documents related to freight for negotiation or collection.

Whereas, Post shipment credit is granted by Commercial banks for medium and long-term duration generally more than one year. The Post-Shipment Credit is granted to exporters for exports on deferred payment generally more than one year.

LITERATURE REVIEW

The Review of literature provides new insights towards the topic, suggests new interpretations or clarifying conflicts within previously published research works. The Review of Literature helps to develop a good understanding and insight into relevant previously published researched materials and the trends that have emerged recently. The reviews of literature are the collection of all the reviews obtained.
In the year 2015, Ghose has conducted research work on 'An analysis of the growth of EXIM bank as India's premier export financing institution' has discussed about export financing and other factors contributing to the growth of export considering the role, functions, and objectives of the EXIM Bank of India. Developing countries like India concentrates more on increasing the value and volume of the export turnover to attain economic developments to provide employment opportunities to utilize all the available resources and to finance for exports.

In the year 2016, Ahmed and Ansari have conducted research and discussed the export financing strategy in his work 'EXIM Bank of India's Export Financing Strategy: An Analysis' which reflects that the export credit plays vital role in strengthening export performance. The studies reflected that the financial extension by institution like Export Import Bank on India play significant role in strengthening the capacity to enter in the international market and capturing market by grabbing competitiveness. Lack of capital has been a constant issue with the industrial prosperity in India along with several other reasons. The capital availability certainly imparts a sense of strength among the businesses. Therefore, the study tries to enquire and validate whether the export financing activities by EXIM Bank in India.

In 2020, Mudugal has conducted a research study on the 'Role of EXIM Bank for Development of International Business - A Study' examined the performance of export rendered by the EXIM Bank of India' .On the basis of which he revealed that if export financing services are provided in the Developing countries like India concentrates more on increasing the value and volume of the export turnover to attain economic developments, to provide employment opportunities, to Utilize all the available resources and to finance for exports.

The studies highlight the critical role of export financing in youth development and empowerment. However, the obstacles faced by entrepreneurs, particularly for export financing. The export financing tools supports youth-led exports. The export targeted policies and programs are designed for youth development.

RESEARCH METHODOLOGY

This research paper analyses research methodology in descriptive form. The research will employ a qualitative approach. The research is exploratory and analytical in nature, in which we explore the advantageous references of Export Financing in the Indian economy and its contribution for to increase the productivity of exporters. The research paper also elaborated the needs of exporters from the nation in the achievement of predetermined goals in the international market. An intensive literature review for the research has been conducted. The major findings of the work were included in the conclusion. The study focuses on the measures of export financing and their role for export promotion in India. Through, this paper the various transformations, which were introduced

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for the achievements of the defined targets were discussed. These transformations were to promote Export financing in the economy, to align with global standards.

For analysing data from secondary sources, includes various thesis, articles, books, reports and publications related to the Export Financing have been reviewed. The quantitative data and information are collected from the official websites and the government reports. The primary analysis was performed by reviewing journal, articles, reports, text books and from various other published sources. The information and statistics related to Export Financing have been analysed and compared. The information was collected from various secondary sources such as articles available on the internet databases and cited in the bibliography. The data has been collected and the hypotheses related to the study were defined. The objectives analyse the influence of the variables affects them. Also, the various factors that affect the accessibility and availability of export financing services were analysed. The study would eventually be helpful for future researchers.

RESEARCH OBJECTIVES

The aim of the research is to examine the accessibility of export financing in India, relating to the different aspects of the Indian economy. The following objectives were designed to understand, the working of the export financing services in India. The objectives provide a clear picture of actions to be performed. The following are the objectives of the present research paper-

- To analyse the role of export financing services in fostering export promotion and economic development.
- To evaluate the impact of export financing policies on entrepreneurs.
- To assess the challenges in export financing schemes for entrepreneurs.
- To evaluate the contribution export financing for employment generation and youth development.
- To evaluate the contribution of government and export financing institutions to promote export initiatives.
- To assess the awareness and utilization of export financing tools, available to exporters.
- To review the importance of export financing in Indian ecoonmy.
- To analyse the accessibility and reviewing the availability of export finance for export-oriented units.
- To examine working of export financing institutions in India.

PROBLEM STATEMENT

Export financing is an essential component for expansion and sustainability in the international market. Despite its importance, many exporters face significant challenges in securing adequate and affordable financing to support their international trade activities. This research paper aims to explore the multifaceted issues in export financing, including the barriers in accessibility, the impact of financial regulations, the role of financing institutions, and the effectiveness of various financing instruments. The key areas of given concern include:

- Problems in Accessibility to export financing
- The complex and often restrictive regulatory framework can hinder the flow of export financing.
- The availability of financial instruments and inconsistency can create disparities in trade opportunities.
- The effectiveness of export financing institutions in bridging the financing gap needs thorough examination.
- Understanding the correlation between accessibility to export financing and trade performance can help in formulating policies that enhance export competitiveness and economic growth.

This research will employ a mixed-method approach, combining quantitative data analysis with qualitative analysis, to provide a comprehensive understanding of export financing.

RESEARCH DESIGN

The author has chosen the descriptive research design for the analytical and exploratory research.

Data Collection Source

The Data can be collected from both the sources, Primary and secondary data sources. For this study, secondary data were utilised in the research. The analysis was performed by reviewing journal, articles, reports, text books, the internet databases and from various other published sources. The analysis of this study takes into account reports from various financial institutions, research publications, newspapers.

Research Findings

It is evident from relevant research that export financing have an impact on the Indian economy both before and after the pandemic. Data shows that growing organisations requires more Export financing and contributes to nation in terms of GDP, GNI, GVI, NNI, and increased job opportunities for youth development and empowerment. In this context, the benefits of export financing helps for exports promotion. The expansion of the exports from the nation and Indian economy is emerging as a rapid developing nation.

Challenges faced by exporters in accessing the export financing

Export financing is essential for nations development and empowerment in international market. In India, the procedural framework for export financing is much complex and exporters faces several challenges. These challenges can impede the ability of firms to expand in international market and sustain their operations. The challenges faced by exporters in accessing export financing are listed below:

- Export financing institutions require high creditworthiness, substantial collateral, and financial histories. The exporters are often unable to provide such documents.
- Exporters face burden of excessive costs of financing. Export financing fees and interest rates can be expensive for them.
- Exporters face lack of awareness and knowledge. They are unaware of the various export financing options available to them or requires the expertise to get information about complex financial products.

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- Exporters face issues in complying with diversified regulatory frameworks across different countries, which are complex and costly.
- Exporters may face sudden changes in trade policies, tariffs, and sanctions that can disrupt financing arrangements and create uncertainty to the trade.
- Extensive documentation and reporting obligations can create a disturbance in for exporters.
- Exporters face various risks related to political instability, economic fluctuations, and changes in international trade policies.
- Foreign Exchange rate volatility can impact profitability and repayment capacity, adding financial risk to the exporter.
- The risk of non-payment by overseas buyers due to insolvency or political factors can deter financial institutions from providing export credit to exporters.
- Exporters sometimes don't have access to tools such as letters of credit, export credit insurance, and factoring varies widely across regions and institutions, which acts as a barrier to them.
- Exporters often face competitive disadvantages compared to international producers that have greater access to resources and better financing ability.
- The exporters face challenges due to rapid changes in international market. It requires continuous innovation and research adaptation, which acts as a challenge for them with constrained financial resources.

Addressing the challenges, which requires coordinated efforts from governments, financial institutions, and international organizations to create a supportive and accessible export financing environment. Government should create export financing initiatives designed to fulfil the needs of entrepreneurs, offering lower interest rates and flexible terms for youth development and empowerment. This includes smooth regulatory frameworks, enhancing awareness and knowledge among exporters, providing accessible financial support, and fostering innovation and research adaptation in export financing services.

Recommendations

The recommendations for leveraging export financing for nations development and economic development are listed below:

- The government should create export financing programs, offering lower interest rates and flexible terms.
- To adopt streamlined regulatory and documentation processes to make export financing more accessible for exporters.
- Provide skills and training to exporters on export financing tools, market trends and trade compliances.
- To develop platforms and networks for entrepreneurs with experienced exporters and investors.
- To develop user-friendly digital financing platforms and tools for exporters.
- Collaboration with international organisations and promotion councils to provide funds and support to export ventures.
- Generation of employment opportunities through export businesses.

CONCLUSION

The research paper analyses the different aspects of export financing beginning by reflecting the contribution of different sectors in export. It explored the export financing mechanism and the role of export promoting and export financing agencies in India. Export financing is a significant aspect for exporters. It provides the financial resources and support to exporters in the international market. The different level of exports is generated from the different areas of the nation. The exporters have to face many problems, also they do not have the accessibility to export financing. By addressing the obstacles faced by the exporters, can unlock the potential of Indian exporters and their innovative ideas. Developing nations emphasizes on increasing the value and volume of the export sector to achieve economic growth. The increasing exports provides employment opportunities to the general public. The Financial institutions and supporting banks should extend their services beyond international banking and delivery of exported products and services. Targeted policies and initiatives can ensure the entrepreneurs to explore international market.

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