



# Finance Export in India: Commercial Bank Practices and Pre/Post-COVID-19 Implications.

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## Abstract

Finance export is an inevitable part of the international trade process and commercial bank is the primary source of this export financing. A developing country like India with a current GDP of 9.1 and ranking 5<sup>th</sup> in global economy its very crucial to sustain this growth but with the onset of Covid 19 in the year 2020 the GDP fell to -5.8. Across the globe where developed countries like USA struggled to maintain the viability of a good economy for their respective countries. India maintained its ground well. For any country's economy banking sector plays a pivotal role and for India we investigated the Commercial banks, their role, and implications in finance export of India. A commercial bank is like any other financial institution that helps undertake all the finance related operations from providing buyer's credit, corporate banking products, and project-based finance, help provide foreign exchange to those having the license for doing such transactions overseas. Apart from this they help create liquidity and capital in the markets by taking funds from their customers deposit and lending them out to others in need. This paper aims to understand the changes occurred pre covid and post covid by a comparative analysis for Indian commercial banks performance in the field of export. It will explore the challenges faced by the exporters and strategies adopted by commercial banks handle these challenges. This paper will add points to the existing literature and the research done by researchers. Recommendations based on the findings and problems encountered will be done to mitigate the existing problems unsolved.

## Keywords:

Finance Export, Commercial Banks, Pre-covid, Post-covid, Global Economy

## Introduction

We all know that Exports has a crucial role for the development of an economy particularly the developing nations. Usually, to promote exports the Indian financial sector with the help of commercial banks provide the assistance of certain financial resources which are helpful for exporting. These usually are Letter of credit, bank guarantee, payment in advance, factoring and forfaiting.

In the year 2020 we saw that Covid took a huge blow in the economy of many countries and it affected them very badly. Because of the pandemic there was a significant damage in the global economy this resulted to a slowdown in the Indian financial exports. It has also caused a downfall for the demand of Indian financial exports. India during the pandemic had a lot of restrictions for the international travelers due to this the Indian commercial banks failed couldn't make their presence in the foreign market. We could also notice that the hotel and tourism industry took a huge blow due to this pandemic. there was a huge fall in the exports 34.57% in march 2020 and it fell 60.28% in April 2020 this show how much it would have affected the GDP and the banking sectors in India

Pre covid the commercial banks were important for the Indian financial sector as they were involved in finance export services like trade finance, foreign exchange services, syndicated loans, they had also stated to invest in infrastructure projects which basically increased the country's financial exports. Before covid the total export credit outstanding has increased 56% over five years 2015 to 2020. More over the commercial banks had planned

to expand their operations globally where their idea was to establish several Indian banks in the foreign markets through partnerships and acquisitions

Here in Post-covid we see that the commercial banks played an important role in supporting the Indian economy during that difficult time post covid.

## Literature Review

S. No	Author	Publication year	Topic	Outcome
1.	K. Venkateswara Rao and R. Anitha	2016	(ECGC): An Analysis of its Performance in Financing Exports	Need for effective credit risk management
2	R.K Gupta	2016	"Export Finance in India: A Study of Commercial Banks	Challenges faced by exporters in accessing finance by commercial banks.
3	S. Selvam	2017	Export Credit in India: Opportunities and Challenges	The potential government support for export credit in India.
4	P. Kumar and R. Sharma	2018	Export Financing by Indian Banks: A Study of Problems and Prospects	Impact of currency fluctuations on Indian banks.
5	R. B. Mandal and R. N. Banerjee	2018	Export Credit in India: An Analysis of the Role of Banks	Role of banks in providing export credit in India.
6	R. Kumar and N. Kumar	2019	Export Financing in India: An Analysis of the Role of Export-Import Bank	Role of the Export-Import Bank of India in financing exports.
7	S. K. Mukhopadhyay	2019	Export Financing in India: An Overview of Recent Developments and Future Prospects	Recent developments and new financing instruments in export financing in India
8	Dr. D. Paul Dhinakaran and Dr. N. Kesavan	2020	Exports and Imports Stagnation in India During Covid-19- A Review	Covid 19 impact on export and import of India
9	A. K. Das and S. K. Patnaik	2020	Export Credit in India: A Study of the Role of Public Sector Banks	Role of public sector banks in providing export credit.
10	S. S. Roy and R. Ghosh	2021	Export Financing in India: A Study of Small and Medium Enterprises	Challenges faced by SME in accessing export financing in India.
11	S.Prasanth and Dr. S.Sudhamathi	2021	BANKERS' OPINION ON THE DETERMINANTS OF CREDIT RISK IN INDIAN COMMERCIAL BANK DURING COVID-19	High credit risk during covid 19 outbreak and possible factors.
12	Research Gap Analysis	2023	Finance Export in India: Commercial banks practices and pre/ post covid 19 Implications	Changes brought in finance export after covid and commercial banks involvement.

## Objective of the Study

- Finance export in India contribution through commercial banks
- Impact of Covid on Commercial Banks finance Export

- Steps/ Regulations taken to counteract the downfall in finance export

### Research Methodology:

Conduct literature review: Conduct a comprehensive literature review of existing studies, reports, and publications related to export financing in India with reference to commercial banks. The literature review will help identify key themes, trends, and issues related to the research questions.

- Identify and collect secondary data: Identify relevant secondary data sources such as reports, publications, and databases related to the research questions. The sources should be credible and reliable to ensure the accuracy and validity of the data.
- Analyze and interpret the data: Analyze and interpret the secondary data to identify patterns, trends, and insights related to the research questions. The analysis should involve techniques such as descriptive statistics, content analysis, and data visualization.
- Draw conclusions and recommendations: Based on the analysis and interpretation of the secondary data, draw conclusions and make recommendations related to the research questions. The conclusions should be supported by the data and insights obtained from the analysis.

### Data Analysis:

Here are some secondary sources of data and information that uses for a study of financing exports in India with reference to commercial banks:

- Reserve Bank of India (RBI) publications: The RBI publishes various reports, guidelines, and circulars related to export finance in India. These include the Master Circular on Export Credit and advances, the Handbook of Statistics on the Indian Economy, and the Annual Report on Exchange Arrangements and Exchange Restrictions.
- Government of India publications: The Ministry of Commerce and Industry publishes several reports and policy documents related to export promotion and financing, such as the Foreign Trade Policy and the Economic Survey. The Ministry of Finance also releases the Union Budget, which outlines the government's plans for the economy and export financing.
- Industry reports and studies: Several industry associations and research firms conduct studies and surveys on export financing in India. These include the Federation of Indian Export Organizations (FIEO), the Export-Import Bank of India, and the Confederation of Indian Industry (CII).
- Academic research: There are several academic studies and articles on the topic of export financing in India, including research on the role of commercial banks in providing export finance, the impact of government policies on export financing, and the challenges faced by exporters and banks.
- News articles and media reports: News articles and media reports can provide current and up-to-date information on trends, issues, and developments related to export financing in India, including changes in government policies, new financing products and services, and the impact of global economic conditions on export finance.

### Pre-covid services by commercial banks –

#### 1. HSBC

- HSBC bank provide letters of credit between, a banks customer and a beneficiary.
- HSBC bank provide Import / export financing which is a short term finance which is provides by a third party.
- HSBC bank provide Trade financing facilities domestic and international transactions.

#### 2. Citibank –

- Citi bank provides Invoice financing to helps business.
- Citi bank provide Trade loans which are linked to specific import or export transactions.

- Citi bank provides Letter of credit between a bank, a banks customer and a beneficiary.

### 3. JPMorgan Chase -

- JP Morgan provide Trade loans which is linked to specific import or export transactions.
- JP Morgan provides Documentary collection by exchanging shipping documents for payment.
- JP Morgan provides Letters of credit between a bank, a banks customer and a beneficiary.

### 4. Bank of America –

- Bank of America provide letters of credit between a bank, a banks customer and a beneficiary.
- Banks of America provides Export financing by a short term funding agreement available to suppliers trading with oversea buyers.
- Banks of America provides foreign services.

### 5. Wells Fargo –

- Wells Fargo provides Documentary collection by exchanging shipping documents for payments.
- Wells Fargo provides Import / export financing which is a short term finance which is provides by a third party.
- Wells Fargo provides Letters of credit between a bank, a banks customer and a beneficiary.

## Post covid services by commercial banks

### 1. HSBC –

- HSBC provides Support to the business impacted by the pandemic.
- HSBC provides Loan modification change the original term of the mortgage loan.
- HSBC provide Fee waivers.
- HSBC Offering financial relief to customers through payment deferrals.

### 2. Citi bank –

- Citi bank providing liquidity to business through the paycheck protection program.
- Citi bank increased its investment in digital banking services.

### 3. JP Morgan Chase –

- JPMorgan increased its investment in digital services to make it easier for Customers to access banking services remotely.
- JPMorgan Support to small and medium sized business through its PPP loan.

### 4. Bank of America –

- Bank of America focused on providing support small business through Small business administration (SBA) paycheck protection program.
- Banks of America provides Investment in digital banking services.

### 5. Wells Fargo-

- Wells Fargo Support to small business through the paycheck protection program.
- Wells Fargo provides Investment in digital banking service.

## RESULTS

The study would have discovered that the Indian export sector encountered numerous difficulties while trying to obtain finance from commercial banks prior to COVID-19. These difficulties include exporters' poor creditworthiness, insufficient collateral, governmental restrictions, and market risks. The study might also have examined the function of determined the essential elements of success in this field.

The investigation may have discovered that COVID-19 had a substantial impact on the Indian export industry, including supply chain interruptions, a drop in demand from important countries, and logistical difficulties. The study might have also analysed the government's and commercial banks' responses to the crisis, including policy interventions, liquidity support, and loan moratoria.

The study might have suggested actions to increase the export sector's adaptability and enhance access to funding in the post-pandemic period. These suggestions can include of improving credit evaluation and risk management procedures, creating new financial products, improving stakeholder collaboration, utilising technology, and looking into alternative sources of funding including trade credit and export credit insurance.

In general, the study may shed light on the efficacy of earlier policies and procedures for financing exports in India before to the pandemic and the financial sector's response to the COVID-19 issues. The study might also include suggestions for enhancing the export sector's adaptability and expanding access to funding in the post-pandemic period.

## CONCLUSION

The pandemic may have had a substantial effect on India's export sector, according to a research of export financing in India with a focus on commercial banks before and during COVID-19. It has led to supply chain interruptions, a drop in demand from important markets, and logistical difficulties. These elements have increased the importance of affordable and flexible finance options for Indian exporters.

The study might also draw the conclusion that commercial banks are essential for advancing export financing in India. However, there are still a number of issues that need to be resolved, such as exporters' lack of creditworthiness, insufficient collateral, legal problems, and market risks.

Additionally, the study might suggest actions to increase the export sector's adaptability and enhance access to financing. These steps might include improving credit evaluation and risk management procedures, creating new financial products, improving stakeholder collaboration, utilising technology, and looking into alternative sources of funding including trade credit and export credit insurance.

The study may have highlighted the need for the Indian banking industry and policymakers to collaborate in order to address the difficulties the export sector is currently facing and make sure that it continues to be a significant contributor to economic growth in the post-pandemic age.

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