CHAPTER - 4

DISTRIBUTION PATTERN OF EXPORT FINANCE

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Our analysis in the preceeding chapter of the behaviour of export credit in the post nationalisation period indicated that the banks' role in export promotion was only marginal. They played merely a supportive role instead of being the pace-setters in export promotion.

Our analysis of growth of export credit reveal a significant decline in the annual growth rate during the Sixth Five Year Plan compared to the Fifth Plan, and again an upsurge, during the Seventh Plan, when the growth rate almost doubled compared to the Sixth Plan. Hence, a study of the distribution pattern of export credit during the period 1980-87 will provide important clues for identifying the factors which induces and constrains the growth of export finance. The present chapter examines the distribution pattern of export credit wiith a view to achieving this objective.

The distribution pattern of export credit is examined with reference to the following four dimensions for period 1980-1987 :

(a) Pre and Post Shipment finance

(b) Bank groupwise analysis of export finance

(c) Bankwise analysis of export finance

(d) Commoditywise analysis of export finance

(a) Pre and Post Shipment finance

The existing mechanism for providing pre shipment finance requires the borrowers to be either producer or processor of exports, whereas, post shipment credit is given to all exporters.

Further, pre shipment credit is invariably converted into post shipment credit as soon as the goods are shipped. This implies that pre shipment credit should be much less than post shipment credit. Hence, we hypothesise that in a given period, post shipment credit is higher than pre shipment credit.

The following table presents the distribution of export credit according to the types of credit viz pre and post shipment credit.

Table 4.1

Classification of Export Credit : Pre and Post Shipment credit (1980-87)

Sr. No.	Year	Pre shipment Credit (Rs.lacs)	Percentage to total export credit	Post shipment Credit (Rs.lacs)	Percentage to total export credit	Total export credit (Rs.lacs)
1	1980	84178	50.95	81033	49.06	165211
2	1981	94975	52.87	84638	47.13	179613
3	1982	95113	54.07	80783	45.93	175896
4	1983	97707	52.31	89064	47.69	186771
5	1984	145700	53.82	125017	46.18	270717
6	1985	134197	57.96	97723	42.14	231920
7	1986	168233	56.70	128732	43.30	296732
8	1987	209733	56.93	158665	43.07	368398
Annual compound growth rate (per cent)		13.93		10.07		12.14

Source : Financeial Analysis of Banks Volume II by Indian Association, Bombay, Various Issues.

The above table reveals that the share of pre shipment credit went up from 51 per cent to 57 per cent of total export credit and there was a corresponding decline in the post shipment credit from 49 per cent to 43 per cent during the study period.

Pre shipment credit increased at a higher compound growth rate (14 per cent) compared to the growth in the post shipment credit (10 per cent). The overall growth of export credit was 12 per cent. In 1987, pre shipment credit amounted to Rs.2097 crores and post shipment credit amounted to Rs.1587 crores against the total export credit of Rs.3684 crores. The above analysis leads us to reject our hypothesis stated above. Even with the analysis extended to private sector bank groups, pre shipment credit is higher than post shipment credit.

(b) Bank Groupwise Analysis of Export Finance

The Indian banking industry is divided into four bank groups according to the ownership pattern of the banks viz. State Bank of India group (8 banks), nationalised banks group (20 banks), private sector Indian (32 banks) and foreign banks (17 banks). This section presents export credit according to bank groups during the study period.

Table 4.2

Classification of Export Credit according to Bank Groups.

Sr. No.	Year	Public Sector bank's contribution to total export credit		Total	Private Sector bank's contributio to total export credit		Total
		S B I Group	nationalise Bk group		Indian	Foreign	
1	1980	31.07	56.87	87.94	3.58	8.48	12.06
2	1981	29.30	58.82	88.12	2.80	9.08	11.88
3	1982	25.24	62.78	88.02	3.54	8.44	11.98
4	1983	26.77	60.44	87.21	3.29	9.50	12.79
5	1984	23.44	54.60	78.04	14.08	7.88	21.96
6	1985	30.63	57.89	88.52	2.38	9.10	11.48
7	1986	26.77	61.62	88.39	2.41	9.20	11.61
8	1987	25.23	63.87	89.10	2.44	9.46	11.90

N.B. : The primary data from which the percentage in this table calculated is given in Appendix IV.

The above table reveals that the public sector banks had a major share in export credit all through the study period. Within the public sector banks, the share of nationalised banks was more than doubled in most of the years than that of the State Bank of India (SBI) group. Within the private sector, share of foreign banks was much higher compared to that of the Indian banks. There is a marked stability noticed in the shares of public and private sector banks during the period. The sudden increase in the private sector banks' share in 1984 was due to the abnormal rise in the export credit by Jammu and Kashmir bank Ltd. only in that year. There was a remarkable stability in the rank structure of the public and private sector banks' considering their shares in the total credit over the period. However, within the public sector bank group, there was a decline of around 6 per cent in the share of SBI group and corresponding increase in the share of nationalised banks, over the period.

The policy implication is that SBI bank group needs to gear its corporate policy, and efforts so as to increase its contribution to the export credit.

(c) Bankwise Analysis of Export Finance

Public sector banks accounted for 89 per cent of export credit disbursed in 1987 as noted earlier. Hence, an analysis on export finance provided by each of the twenty eight public sector banks will be useful for understanding corporate policy implications at the bank level.

The following table gives the names of the public sector banks (with abbreviation) which are the sample banks.

Table 4.3
PUBLIC SECTOR BANKS

Sr.No.	Name of Sample Banks	Abbreviation
1	State Bank of India	SBI
2	State Bank of Hyderabad	HYDER
3	State Bank of Patiala	PATLA
4	State Bank of Bikaner & Jaip	BK & JP
5	State Bank of Travancore	TRVCR
6	State Bank of Mysore	MYSOR
7	State Bank of Saurashtra	SRSTR
8	State Bank of Indore	INDOR
9	Bank of Baroda	BARODA
10	Bank of India	INDIA
11	Central Bank of India	CNTRL
12	Punjab National Bank	PNB
13	Canara Bank	CANARA
14	UCO Bank	UCO
15	Syndicate Bank	SYNDI
16	Union Bank of India	UNION
17	United Bank of India	UNTED
18	Indian Overseas Bank	IOB
19	Indian Bank	INDIN
20	Dena Bank	DENA
21	Allahbad bank	ALAHA
22	Bank of Maharashtra	MAHA
23	Andhra Bank	ANDRA
24	Punjab and Sind Bank	PN & SB
25	New Bank of India	NEWBK
26	Vijaya Bank	VIJYA
27	Corporation Bank	CORPN
28	Oriental Bank of Commerce	ORNTL

PART 1

The growth rates of each sample banks are examined using three statistical techniques namely growth over the previous year, simple annual growth rate at three periods of time during the study period and annual compound growth rate over the study period. The growth rates of the total export credit are calculated using all the three techniques, whereas, the growth in pre and post shipment credit is measured only by calculating annual compound growth rates over the period.

The following table presents the annual growth rate over the previous year for each sample bank. The number of sample banks varied marginally over the years as data for certain banks were not available.

Table 4.4
Bankwise Growth of Export Credit
(Percentage growth over previous year)(1981-1988)

Sr.No	Bank	1981	1982	1983	1984	1985	1986	1987	1988
1	S.B.I.	1.54	-18.19	16.40	24.66	14.08	11.16	12.21	90.14
2	HYDER	6.84	5.46	-10.05	14.00	-5.05	-15.32	21.50	15.42
3	PATLA	5.11	-10.86	5.88	-26.19	115.59	-32.04	33.57	70.94
4	BK & JP	12.75	-32.73	4.93	45.78	-4.54	18.87	16.31	169.19
5	TRVCR	35.67	3.65	-28.03	192.95	-50.12	120.76	59.81	23.82
6	MYSOR	1.65	30.18	41.60	55.22	3.30	-1.05	36.36	4.78
7	SRSTR	24.9	-0.47	-2.06	10.87	12.59	2.21	57.76	1.93
8	INDOR	-12.12	10.02	-25.90	26.67	45.48	30.07	75.50	-6.45
Total of seven subsidiares		8.59	-0.78	-5.52	40.28	0.75	12.67	44.94	30.01
Total of S.B.I.Group		2.52	-15.63	12.61	26.93	11.95	11.81	16.98	79.30
9	BARODA	13.86	-26.5	-57.58	369.68	-11.00	21.32	36.47	16.14
10	INDIA	-13.06	-8.28	22.58	29.84	11.65	20.54	43.33	37.33
11	CNTRL	12.15	-4.5	10.09	13.52	9.50	56.04	13.02	21.19
12	PNB	43.92	-4.08	11.81	4.40	-	-	40.22	52.60
13	CANARA	17.54	-5.46	23.90	35.85	1.80	31.57	52.86	37.50
14	UCO	-13.52	15.16	6.14	11.61	-25.00	35.23	76.69	23.06
15	SYNDI	-28.94	47.59	27.75	5.20	-20.46	27.45	22.31	-26.88
16	UNION	14.89	1.5	33.50	23.99	-9.08	29.01	-	13.25
17	UNTED	-7.37	-2.95	-9.42	27.64	27.65	-9.17	6.51	4.53
18	IOB	29.31	-5.50	19.70	37.25	-12.40	1.65	4.53	18.85
19	INDIN	56.33	-18.45	11.70	28.95	4.83	36.67	17.34	69.47
20	DENA	17.00	-2.28	-2.36	33.36	1.30	11.75	19.03	29.40
21	ALAHA	-	8.06	23.28	43.61	-16.83	30.61	28.60	-
22	MAHA	17.70	-17.08	-4.22	35.31	-1.10	23.91	37.83	-4.86
23	ANDRA	107.25	-19.67	33.29	1.74	5.45	51.73	-17.70	28.35
24	PN & SB	13.11	-18.65	22.50	6.09	10.92	26.07	51.11	-0.11
25	NEWBK	-	-	1.65	32.46	27.18	18.37	61.14	46.99
26	VIJAYA	6.29	-2.30	53.03	9.46	22.32	26.32	52.98	67.55
27	CORPN	29.86	-10.37	22.80	-10.06	-3.42	37.66	12.20	44.90
28	ORNTL	123.71	-12.89	15.98	17.94	-5.12	172.33	57.11	-11.50
Total of 20 nationalised bks		12.44	-3.80	11.08	30.93	-9.18	36.19	28.07	25.09
Total of 28 pub.sector bks		8.94	-7.74	11.54	29.70	-2.83	27.75	25.15	40.44

Source : Appendix - V

To facilitate analysis of the above table, the following summary table is presented where in the banks are classified in six groups according to the growth rates, according to the annual growth rates over the previous years in the years 1981, 1984 and 1988.

Summary Table 4.4

Sr. No.	Growth rate Group (Percent)	1981 over 1980 No. of Public sector Banks	% to total	1984 over 1983 No. of Public sector Banks	% to total	1988 over 1987 No. of Public sector Banks	% to total
1	Negative	5	19	2	7	5	19
2	< 10	5	19	5	18	3	11
3	10 to 25	9	35	7	25	7	26
4	25 to 50	4	15	11	39	6	22
5	50 to 100	1	4	1	4	5	19
6	> 100	2	8	2	7	1	3
	Total	26	100	28	100	27	100

The above table indicates that nearly one fifth of the banks had negative annual growth rates in 1981 and 1988. Further, the proportion of the banks having less than 25 per cent of growth rates was 54 per cent in the first year and it declined to 37 per cent in the last year of analysis. There was a substantial increase in the number of banks having growth rate between 25 to 100 per cent between 1980 and 1984, and marginal decline in 1988. Further, in the highest growth rate category of above 100 per cent, the proportion of banks was stable in 1981 and 1984 and then halved in 1988. In sum, it is heartening to find that more than one fifth of the banks in the last year had growth rate above 50 per cent.

Hereunder, the growth of export finance of sample banks is measured by calculating simple annual growth rates for three periods of time, 1984 over 1980, 1988 over 1984 and 1988 over 1980.

Table 4.5

Growth of Export Finance
(Simple annual growth rate) (Percent) (1980-1988)

Sr. No.	Bank	Growth of export finance in 1984 over 1980 %	Growth of export finance in 1988 over 1984 %	Growth of export finance in 1988 over 1980 %
1	S.B.I.	20.55	177.83	227.68
2	HYDER	15.55	12.76	30.29
3	PATLA	-26.77	234.54	144.98
4	BK & JP	16.01	255.28	312.17
5	TRVCR	196.49	117.9	546.07
6	MYSOR	190.88	46.06	324.87
7	SRSTR	34.98	85.06	149.80
8	INDOR	-9.24	210.67	181.93
	Seven subsidiares	42.8	113.94	205.51
	S.B.I.Group	23.63	162.55	224.60
9	BARODA	66.7	71.15	185.31
10	INDIA	26.9	164.95	236.21
11	CNTRL	33.87	134.06	213.33
12	PNB	61.15	139.04	285.21
13	CANARA	87.04	181.53	426.59
14	UCO	4.33	120.56	130.11
15	SYNDI	27.01	-9.34	15.15
16	UNION	91.7	32.84	154.64
17	UNTED	3.92	29.09	35.15
18	IOB	100.77	10.64	122.14
19	INDIN	83.63	184.94	423.25
20	DENA	48.88	74.38	159.61
21	ALAHA	-	-	-
22	MAHA	26.48	59.65	101.91
23	ANDRA	125.77	69.03	281.62
24	PN & SB	19.60	111.08	152.44
25	NEWBK	30.49	256.60	365.33
26	VIJAYA	73.95	296.09	588.99
27	CORPN	28.55	116.17	177.89
28	ORNTL	245.51	255.47	1128.20
	20 nationalised bks	57.33	99.13	213.29
	28 pub.sector bks	45.42	118.18	217.29

Source : Appendix - VI.

To facilitate comparison of growth rates during the three periods of time, the following table is presented giving classification of banks according to five groups of growth rates

Summary Table 4.5

Sr. No.	Growth rate Group (Percent)	Growth in 1984 over 1980	Growth in 1988 over 1984	Growth in 1988 over 1980
		No. of Public sector Banks		
1	Below 50	16	6	3
2	51 to 100	6	5	-
3	101 to 150	2	6	5
4	151 to 300	3	10	19
5	above 300	-	-	-
	Total	27	27	27

The above table indicates that there was a substantial shift in the lowest group of below 50 per cent. The number of banks was less than half in the second period compared to the first period. In the second group, there was a marginal decline in the second period. In the third group, the number of banks in the second period were three times higher than the number in the first period. The most significant change however was recorded in the fourth group i.e. 151 to 300 per cent, wherein the number of banks increased three fold (from 3 to 10) in the second period. Hence, on the whole, there was a progressive shift in the number of banks having more than 100 per cent growth rate (from 5 to 16). Considering the study period on the whole (1980-88), less than one third of the twenty seven banks had growth rate of 150 per cent or less. The remaining two thirds had growth rate above 150 per cent.

Lastly, this section presents the compound growth rates of pre shipment, post shipment and total export credit of each sample bank. The following table presents the compound growth rates, bankwise for the period 1980-88.

Table 4.6

Growth of Export Finance
(Compound Growth Rates) (Percent) (1980-1988)

Sr.No.	Bank	Pre shipment	Post shipment	Total export credit
1	SBI	14.99	6.60	10.95
2	HYDER	0.71	0.05	0.64
3	PATLA	7.86	4.53	6.52
4	BK & JP	11.68	9.30	11.66
5	TRVCR	20.03	15.71	18.82
6	MYSOR	14.10	19.27	16.43
7	SRSTR	6.80	10.79	8.07
8	INDOR	14.40	9.87	12.96
Total of seven sub		11.34	8.79	10.49
Total of SBI Group		14.36	6.87	10.88
9	BARODA	11.08	12.00	11.50
10	INDIA	14.80	12.79	13.85
11	CNTRL	12.11	12.27	12.18
12	PNB	10.00	9.95	9.98
13	CANARA	15.43	18.93	17.08
14	UCO	9.09	6.62	7.83
15	SYNDI	7.74	1.95	4.80
16	UNION	8.98	11.53	9.95
17	UNTED	6.16	1.14	3.88
18	IOB	8.99	3.98	6.64
19	INDIN	9.96	17.49	14.00
20	DENA	9.08	7.18	8.34
21	ALAHA	15.92	12.89	10.87
22	MAHA	10.24	4.43	7.64
23	ANDRA	12.27	7.03	10.32
24	PN & SB	9.04	11.73	10.37
25	NEWBK	24.99	19.52	22.19
26	VIJYA	21.37	18.88	20.38
27	CORPN	6.44	9.64	7.99
28	ORNTL	24.38	26.71	25.33
Total of 20 nationalised		11.52	11.18	11.36
Total of 20 Public Sector		12.43	9.76	11.20

Source : Appendix VII.

The above table reveals that the first two positions were occupied by banks having twenty per cent or more growth rates during the study period. The Oriental Bank of Commerce and New

Bank of India occupied first and second ranks while considering the growth of total export credit and post shipment credit. Whereas, New Bank of India occupied the first and Oriental Bank of Commerce in the second position in case of pre shipment credit with very marginal difference in the growth rates of the two banks. Vijaya Bank occupied third rank considering their total export credit and pre shipment credit, and fifth rank in case of post shipment credit. In case of the last five ranks in the three types of advances, only two banks namely Syndicate Bank and State Bank of Hyderabad were common.

In sum, the small size banks occupied the first five ranks considering the growth of total export credit, implying that they paid greater attention to export financing compared to the bigger banks.

To facilitate analysis of the above table, summary table is presented, where in, banks are calssified according to the group of growth rates.

Summary Table 4.6

Sr. No.	Growth rate Group (Percent)	Pre-shipment credit	Post-shipment Credit	Total export credit
		No. of Public sector Banks		
1	< 1	1	1	1
2	1 to 10	12	13	11
3	11 to 20	11	13	13
4	21 to 30	4	1	3
	Total	28	28	28

Considering the growth rates of pre shipment and post shipment credits, there is only amarginal difference in the number of banks belonging to the group of 10 or less percentage of growth rates. However, in case of the group of 11 to 20 per cent, the number of banks in case of post shipment credit is higher than in case of pre shipment credit and in the top group it was vice versa. Considering the total export credit, the distribution of banks was highly concentrated in the middle groups of 1 to 10 per cent and 11 to 20 per cent, almost shared equally by the two groups.

Part 2

After analysing the bankwise growth of export credit in the previous section, we now deal with the importance of export credit in bank's total credit as well as its share in total export finance provided by public sector banks. This section begins with the importance of pre and post shipment credit in a bank's overall export credit performance followed by the bank's performance in the field of export finance in the frame work of its total advances and total export finance of public sector finance.

Pre Shipment Credit

As discussed earlier ,pre shipment credit of a bank should not exceed post shipment credit.

The following table presents each of the public sector bank's share of pre shipment credit in its total export credit.

Table 4.7

Ratios of Pre Shipment Credit to total Export Credit of Public Sector Banks

(Percent) (1980-1988)

Sr.No	Bank	1988	1987	1986	1985	1984	1982	1980
1	TRVCR	71.40	84.10	68.00	50.00	70.15	55.97	66.75
2	INDOR	70.64	73.97	73.02	84.53	83.94	55.41	69.46
3	ANDRA	64.00	68.38	71.71	83.00	71.65	55.41	60.70
4	PATLA	63.76	68.13	57.43	55.74	37.90	54.94	58.76
5	S.B.I.	61.63	63.98	53.74	55.49	49.04	45.00	45.30
6	DENA	60.93	66.02	62.10	68.90	69.00	57.71	58.74
7	UNTED	60.30	63.25	55.76	50.46	45.84	51.00	51.59
8	SRSTR	60.12	56.21	82.44	86.74	60.90	55.32	81.03
9	MAHA	59.93	63.09	60.33	54.57	44.90	50.96	52.71
10	SYNDI	55.65	56.33	53.76	58.41	52.95	45.00	42.67
11	IOB	55.54	59.15	60.72	59.32	60.19	45.00	45.57
12	INDIN	55.22	-	52.71	55.31	47.64	52.98	52.13
13	CNTRL	55.22	54.35	62.40	62.13	61.69	55.00	57.92
14	VIJAYA	55.01	71.23	72.46	-	70.44	56.42	60.29
15	UNION	54.83	62.41	62.40	61.97	63.82	65.00	64.38
16	PNB	54.20	48.86	57.10	-	47.15	52.05	53.74
17	NEWBK	53.35	59.65	45.62	54.97	53.49	45.00	44.75
18	MYSOR	52.70	49.90	46.07	57.90	49.00	55.89	58.54
19	UCO	52.09	50.45	52.60	51.25	37.18	48.98	46.98
20	BARODA	51.55	54.00	54.97	58.72	56.97	55.50	56.11
21	ORNTL	51.15	54.23	71.91	54.35	50.28	57.87	89.74
22	INDIA	51.02	56.88	55.62	56.52	51.68	50.03	49.98
23	HYDER	49.25	59.56	49.73	53.20	42.90	54.98	51.18
24	CANARA	47.13	51.40	52.28	58.58	53.20	54.00	54.10
25	BK & JP	46.50	49.09	40.28	40.25	37.10	55.00	42.19
26	PN & SB	44.98	47.93	49.78	50.29	48.38	52.00	51.14
27	CORPN	40.33	54.26	54.32	60.28	57.12	52.30	52.45
Total nationalised banks		52.70	53.66	57.77	60.03	55.48	52.99	53.13
Total S.B.I.Group		61.42	64.52	54.54	56.10	50.00	46.78	47.12
Total public sector banks		51.01	51.10	53.82	58.68	56.79	56.73	55.85

Sources : Appendix VIII.

The above table reveals that two banks continued to occupy positions in the top five banks namely, State Bank of Travancore and State Bank of Indore considering the importance of pre shipment finance in total export credit. In 1988, besides these two, Andhra Bank, State Bank of Patiala and Dena Bank occupied positions in the top five category. Comparing the rank structure of bottom five banks, only one, State Bank of Bikaner and Jaipur was found common in the first and the last years. This comparison indicates that there was a considerable change in the rank structure of the banks over a period. Further, the average share of the pre shipment credit for sample banks as a whole increased from 51 to 56 per cent between 1980 and 1988. In the year 1988, the pre shipment credit ratio of SBI was much higher (61.42 per cent) compared to the average sample ratio (56 per cent). Whereas, the nationalised bank's ratio (53 per cent) was lower than the average. Even SBI's own ratio was on the much higher side (60 per cent).

To catch the overall performance, the following summary table is presented.

Summary Table 4.7

Sr. No.	Percentage group of Pre Shipment credit to total export	1980	1984	1988
		No. of Public sector Banks		
1	1 to 40	-	2	-
2	41 to 50	7	9	5
3	51 to 60	13	8	14
4	61 to 70	5	5	6
5	71 to 80	2	4	2
	Total	27	28	27

The above table indicates that around half the banks had pre shipment credit accounting for 50 to 60 per cent of total export credit both in the first and last years of the study period. The eight banks namely,

(1) State Bank of Patiala

(2) State Bank of Travancore

(3) State Bank of Saurashtra

(4) State Bank of Indore

(5) United Bank of India

(6) Allahbad Bank

(7.) Dena Bank

(8) State Bank of India

had pre shipment credit above 60 per cent of total export finance. Immediate steps need to be taken to scrutinize the pre shipment portfolio of this banks.

Further only five banks namely,

(1) State Bank of Hyderabad

(2) State Bank of Bikaner and Jaipur

(3) Canara Bank

(4) Punjab and Sind Bank

(5) Corporation Bank

are having less than 50 per cent share of pre shipment credit in total export credit, have their house in order on this account.

In sum, our analysis indicate that 22 out of 27 banks had a pre shipment credit ratio more than 50 per cent which presents a disturbing scenerio.

Post Shipment Credit

As discussed in earlier, post shipment credit should exceed pre shipment credit in a bank. The following table presents the ratio of post shipment credit to total export credit of public sector banks.

Table 4.8

Ratios of Post Shipment Credit to total Export Credit of Public Sector Banks.
(Percent) (1980-1988)

Sr.No	Bank	1988	1987	1986	1985	1984	1982	1980
1	CORPN	59.67	45.74	45.68	39.72	42.88	47.70	47.55
2	PN & SB	55.02	52.07	50.22	49.71	51.62	48.00	48.86
3	BK & JP	53.43	50.91	59.72	59.75	62.90	45.00	57.81
4	CANARA	52.87	48.60	47.72	41.42	46.80	46.00	45.90
5	HYDER	50.75	40.44	50.27	46.74	57.10	45.02	48.82
6	INDIA	48.98	43.12	44.38	43.48	48.32	49.97	50.02
7	ORNTL	48.85	45.77	28.09	45.65	49.72	42.13	10.26
8	BARODA	48.45	46.00	45.03	41.28	43.03	44.50	43.89
9	UCO	47.91	49.55	47.40	48.75	62.82	51.02	53.02
10	MYSOR	47.30	50.10	53.93	42.10	51.00	44.11	41.46
11	NEWBK	46.65	40.35	54.38	45.03	46.51	55.00	55.25
12	PNB	45.80	51.14	42.90	-	52.85	47.95	46.26
13	UNION	45.17	37.59	37.60	38.03	36.18	35.00	35.62
14	VIJAYA	44.99	28.77	27.54	-	29.56	43.58	39.71
15	CNTRL	44.78	45.65	37.60	37.87	38.31	45.00	42.08
16	INDIN	44.78	-	47.29	44.69	52.36	47.02	47.87
17	IOB	44.46	40.85	39.28	40.68	39.81	55.00	54.43
18	SYNDI	44.35	43.67	46.24	41.58	47.05	55.00	57.33
19	MAHA	40.07	36.91	39.67	45.43	55.10	49.04	47.29
20	SRSTR	39.88	43.79	17.56	13.26	39.10	44.67	18.97
21	UNTED	39.70	36.75	44.24	49.54	54.16	49.00	48.41
22	DENA	39.07	33.98	37.90	31.10	31.00	42.29	41.26
23	S.B.I.	38.37	36.02	46.26	44.51	50.96	55.00	54.70
24	PATLA	36.24	31.87	42.57	44.26	62.10	45.06	41.24
25	ANDRA	36.00	31.62	28.29	17.00	28.35	44.59	39.30
26	INDOR	29.36	24.03	26.98	15.47	16.06	44.59	30.54
27	TRVCR	28.60	15.90	32.00	50.00	29.85	44.03	33.25
28	ALAHA	-	36.20	36.81	43.73	42.03	42.00	-
Total nationalised banks		47.30	46.34	42.23	39.97	44.52	47.01	46.87
Total S.B.I.Group		38.58	35.48	45.46	43.80	50.00	53.22	52.88
Total public sector banks		44.15	43.27	43.21	41.32	46.18	48.90	48.99

Sources : Appendix IX.

The above table indicates that in 1988 only the top five banks had post shipment credit above 50 per cent. All the remaining 23 banks had less than half of total export credit as post shipment credit. Comparatively in 1980 eight banks had post shipment credit above 50 per cent. This data indicates that in the last eight years, pre shipment credit has become more popular possibly due to the scope for misutilisation of funds.

As indicated by the above table, the post shipment credit ratio of public sector banks (whole sample) was 44 per cent. The nationalised bank's ratio was higher than the sample average (47 percent) and the SBI bank group ratio was lower than the average (30 per cent).

To facilitate further analysis, the following summary table gives the distribution of sample banks according to the groups of post shipment ratios.

Summary Table of 4.8

Sr. No.	Percentage group of Post shipment credit to total export	1980	1984	1988
		No. of Public sector Banks		
1	1 to 20	2	1	-
2	21 to 40	5	8	8
3	41 to 50	13	8	14
4	51 to 60	7	8	5
5	61 to 70	-	3	-
	Total	27	28	27

The above table indicates that the number of banks having less than 50 per cent ratio increased from 20 to 22 over the study period.

The above analysis gives an impression that pre shipment finance has been misused by some borrowers particularly that of

SBI group. Immediate steps must be taken to stop the misuse of concessional finance given for export promotion by banks.

Export Credit

After analysing the shares of pre shipment and post shipment credit in total export credit of each sample bank, we now proceed to examine the importance of export credit in each bank's total credit.

The following table presents the percentage share of export credit in total credit of each bank (export credit ratio) for the years 1985, 1986 and 1987.

Table 4.9
Export Credit ratio of sample banks. (Percent) (1985-1987)

Sr.No	Bank	1987	1986	1985
1	CORPN	10.40	10.28	8.64
2	UNION	9.00	9.10	7.68
3	NEWBK	7.14	4.89	4.67
4	VIJAYA	7.11	5.45	5.40
5	INDOR	6.97	5.08	5.17
6	PN & SB	6.38	4.33	3.93
7	DENA	5.62	5.16	6.00
8	CNTRL	5.37	4.79	3.38
9	BARODA	5.21	4.43	4.10
10	CANARA	5.13	4.48	3.98
11	INDIA	5.00	4.22	4.19
12	TRVCR	4.81	3.62	1.96
13	ALAHA	4.58	3.91	3.28
14	INDIN	4.37	4.30	3.75
15	IOB	4.27	4.53	4.85
16	PNB	3.92	3.17	-
17	MAHA	3.88	3.21	3.10
18	UCO	3.83	2.64	2.31
19	MYSOR	3.76	3.32	3.73
20	ANDRA	3.75	4.55	3.64
21	S.B.I.	3.68	3.92	3.97
22	SRSTR	3.05	2.07	2.20
23	SYNDI	3.03	2.50	2.24
24	ORNTL	3.02	2.25	0.96
25	HYDER	2.67	2.49	3.47
26	UNTED	2.57	2.43	2.77
27	PATLA	1.82	1.46	2.73
28	BK & JP	1.78	1.77	1.69
Total nationalised banks		4.95	4.27	3.59
Total S.B.I.Group		3.62	3.67	3.74
Total public sector banks		4.48	4.07	3.64

Sources : Appendix X.

The above table reveals that in 1987 export credit accounted for more than 10 per cent only in case of one bank and it was above five per cent in case of another ten banks. The remaining seventeen bank's performance in export finance was extremely poor (less than 5 per cent) of total credit. Comparing the rank structure, between 1985 and 1987 only three banks from the top five banks retained their exact positions. The top two, Corporation Bank and Union Bank of India as well as the fifth bank, State Bank of Indore maintained their positions constant. Similarly, among the last five banks, only two banks were left out in both the years.

The above table indicates that the share of export credit in total credit with respect to all the bank groups and the public sector banks as a whole sharply declined between 1980-85. In 1986-1987, there was a marginal decline in the SBI group and marginal improvement in the case of other group and public sector banks as a whole.

In 1987, the export credit ratio of Corporation Bank was highest (10.14 per cent) and State Bank of Bikaner and Jaipur was at the lowest end of scale (1.78 per cent). The average export credit ratio for the public sector banks (sample as a whole) was 4.48 per cent. Compared to this ratio of nationalised bank group was marginally higher (4.95 per cent) and that of the SBI group was substantially lower (3.62 per cent). Even SBI itself had a very low ratio of 3.68 per cent.

The above analysis implies that SBI group as a whole requires to pay more attention to export finance as their performance compared to that of nationalised banks as well as their own ratio in 1980 was very poor.

After analysing the individual bank's performance in export credit within the frame work of its total advances, we now proceed to relate it with the performance of the public sector banks group as a whole (total sample). The following table presents the bankwise ratios of pre shipment credit to total export credit of all public sector banks during the period 1980-88.

Table 4.10

Share of each bank in the total Pre Shpment Credit by Public Sector banks.

(Percent) (1980-1988)

Sr.No	Bank	1988	1987	1986	1985	1984	1983	1982	1981	1980
1	S.B.I.	34.68	26.17	24.50	28.00	22.98	22.80	22.15	24.65	27.03
2	INDIA	8.65	9.74	8.28	8.63	7.49	7.70	6.94	6.96	8.75
3	CANARA	7.19	7.88	6.56	6.98	6.52	6.81	6.04	6.14	6.44
4	BARODA	5.65	7.05	6.57	7.16	8.26	4.06	6.16	7.22	7.49
5	PNB	5.56	4.53	4.72	-	4.57	6.60	6.58	6.35	4.00
6	CNTRL	5.38	6.03	7.67	6.05	5.81	6.71	6.31	6.36	6.25
7	UNION	4.41	6.13	7.67	7.30	8.75	8.65	8.21	7.00	7.07
8	INDIN	4.10	-	3.41	3.23	2.82	2.88	3.31	3.53	2.57
9	IOB	2.99	3.70	4.55	5.40	6.63	5.98	4.60	5.35	3.84
10	UCO	2.62	2.85	2.10	1.88	1.92	2.50	3.68	2.62	3.57
11	VIJYA	2.34	2.50	2.08	2.80	1.76	1.85	1.24	1.24	1.29
12	DENA	1.97	2.29	2.26	2.77	2.90	2.63	2.85	2.80	2.55
13	NEWBK	1.68	1.77	1.05	1.32	1.07	1.00	1.02	-	1.05
14	SYNDI	1.54	2.88	2.84	2.97	3.58	4.75	3.83	2.35	3.48
15	TRVCR	1.48	1.95	1.23	0.51	1.54	0.54	0.87	1.15	0.75
16	CORPN	1.38	1.78	1.98	1.98	2.05	2.97	2.60	2.83	2.25
17	ANDRA	1.35	1.55	2.47	2.33	2.02	2.30	1.75	2.16	1.16
18	MAHA	1.15	1.76	1.53	1.39	1.22	1.51	1.63	1.67	1.74
19	UNITED	1.00	1.40	1.45	1.78	1.34	1.36	1.97	1.72	2.23
20	PN & SB	0.91	1.34	1.15	1.11	1.05	1.42	1.32	1.49	1.43
21	INDOR	0.89	1.37	0.96	1.06	0.77	0.70	0.82	0.88	1.07
22	BK & JP	0.77	0.42	0.37	0.39	0.39	0.39	0.58	0.60	0.59
23	PATLA	0.61	0.53	0.42	0.74	0.24	0.59	0.71	0.75	0.80
24	MYSOR	0.52	0.66	0.55	0.87	0.75	0.67	0.61	0.46	0.47
25	HYDER	0.50	0.72	0.61	0.96	0.86	1.01	1.64	1.30	1.39
26	ORNTL	0.38	0.63	0.66	0.23	0.23	0.22	0.30	0.22	0.19
27	SRSTR	0.30	0.38	0.45	0.55	0.36	0.40	0.46	0.58	0.55
28	ALAHA	-	1.99	1.91	1.61	2.12	1.00	1.82	1.6	-
Total nationalised banks		60.25	67.80	70.91	66.92	72.11	72.90	72.16	69.63	67.35
Total S.B.I.Group		39.75	32.20	29.09	33.08	27.89	27.10	27.84	30.37	32.65
Total public sector banks		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source : Appendix XI.

In 1988, the top three positions were occupied by State Bank of India, Bank of India and Canara Bank, where as, the lowest three ranks were held by State Bank of Saurashtra, Oriental Bank of Commerce and State Bank of Hyderabad. Right from 1980 to 1988, S.B.I. top the list with a very significant difference with the bank holding the second rank. The share of S.B.I. improved from 27 to 35 per cent between 1980 and 1988, where as the second bank's share was below 10 per cent in all the years. It needs to be noted that the difference between the toper SBI and the second rank holder was very significant in all the years of the study period. In 1980, S.B.I. share was 27 per cent which increase to 34 per cent. Bank of India occupied second position in all the years of study period. The share of the top three banks increased from 43 to 51 per cent between 1980 and 1988.

The above table reveals that the nationalised banks had more than double the share of S.B.I. group in 1980. By 1988, S.B.I. group improved its share from 33 to 40 per cent and the nationalised bank group had the corresponding decline from 67 to 60 per cent.

The rank coefficient of correlation was worked out for the bankwise shares in the total export credit series of 1980 and 1988 and it was found to be high (0.89). This statistic indicates that there were very few changes in the rank structure of the banks in two years.

The policy implications from the above analysis is that there has been very little change in the ranking of banks according to their export credit ratios between 1980 and 1988. This implies that there is hardly any competition between banks for catering to the demand of export finance in the country. More importantly, S.B.I. handles more than one third of the total pre shipment credit. S.B.I. jointly with Bank of India and Canara Bank accounted for more than half of the total business. This indicates that the other banks' performance in providing pre shipment finance is very poor.

Considering the bankwise share of post shipment credit provided by the public sector banks, we have the following table.

Table 4.11

Bankwise share of Post Shipment Credit provided by Public Sector banks.

(Percent) (1980-1988)

Sr.No	Bank	1988	1987	1986	1985	1984	1983	1982	1981	1980
1	S.B.I.	27.31	19.33	27.71	31.90	27.84	30.06	28.28	32.49	33.97
2	INDIA	10.50	9.65	8.65	9.43	8.16	7.89	7.24	7.34	9.12
3	CANARA	10.20	9.77	7.87	6.93	6.69	5.74	5.34	4.86	4.80
4	BARODA	6.72	7.88	7.08	7.14	7.28	0.04	5.16	7.00	6.10
5	PNB	5.93	6.21	4.66	-	5.97	6.35	6.34	6.08	4.44
6	CNTRL	5.52	6.65	6.07	5.24	4.20	4.77	5.40	4.92	4.73
7	UNION	4.60	4.84	6.07	6.36	5.79	6.70	4.62	4.62	4.07
8	INDIN	4.26	7.95	4.02	3.71	3.62	3.55	3.07	3.70	2.46
9	UCO	3.05	3.67	2.49	2.53	3.79	4.04	4.04	3.59	4.20
10	IOB	3.02	3.35	3.86	5.26	5.11	5.18	5.87	4.86	4.77
11	CORPN	2.59	1.96	2.19	1.85	1.80	2.60	2.48	2.36	2.12
12	VIJYA	2.42	1.32	1.04	-	0.84	1.22	1.00	0.87	0.88
13	NEWBK	1.86	1.57	1.64	1.54	1.08	1.11	1.30	-	1.35
14	DENA	1.60	1.59	1.81	1.77	1.52	1.76	2.17	1.91	1.86
15	SYNDI	1.52	2.93	3.18	3.00	3.70	5.23	4.89	3.12	4.87
16	PN & SB	1.41	1.91	1.53	1.61	1.31	1.44	1.28	1.46	1.42
17	BK & JP	1.13	0.57	0.72	0.81	0.78	0.65	0.50	0.89	0.86
18	MAHA	0.97	1.35	1.32	1.64	1.75	1.29	1.64	1.98	1.62
19	ANDRA	0.95	0.94	1.28	0.68	0.93	1.53	1.48	1.51	0.78
20	UNITED	0.84	1.06	1.54	2.49	1.85	1.93	1.98	2.05	2.18
21	TRVCR	0.75	0.48	0.76	0.72	0.75	0.48	0.72	0.23	0.38
22	HYDER	0.64	0.64	0.82	1.20	1.35	1.47	1.41	1.38	1.36
23	MYSOR	0.60	0.86	0.85	0.90	0.92	0.74	0.49	0.30	0.35
24	INDOR	0.46	0.63	0.47	0.28	0.17	0.29	0.69	0.39	0.49
25	ORNTL	0.45	0.70	0.34	0.27	0.27	0.34	0.23	0.22	0.02
26	PATLA	0.44	0.33	0.42	0.84	0.47	0.64	0.61	0.58	0.59
27	SRSTR	0.25	0.38	0.12	0.12	0.27	0.35	0.39	0.19	0.13
28	ALAHA	-	1.48	1.46	1.78	1.79	2.62	1.38	1.10	-
Total nationalised banks		68.41	76.28	68.13	63.23	67.45	65.33	66.91	63.55	61.87
Total S.B.I.Group		31.59	23.72	31.87	36.77	32.55	34.67	33.09	36.45	38.13
Total public sector banks		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source : Appendix XII.

The above table reveals a similar rank structure of the top two banks as discussed in case of pre shipment credit. S.B.I. and Bank of India occupied the first and second ranks all through the study period. Comparing the ranks of 1980 and 1988, the overall rank structure also remained more or less similar as indicated by the rank coefficient of co-relation (0.88). SBI's share in the total declined from 34 per cent to 27 per cent in 1988. Bank of India and Canara Bank had shares of around 10 per cent.

The above distribution is marked by high degree of concentration all through the study period. The top three banks accounted for little less than half of the total post shipment credit provided by public sector banks both in 1980 as well as 1988.

The policy implication from above analysis is that besides the Sate Bank of India, Bank of India and Canara Bank, all other banks have not paid any attention for providing post shipment credit.

After analysing the bankwise position of pre and post shipment credit, we now examine the share of each bank in the total export credit provided by the public sector banks. The percentage share of each bank to total export credit for the period 1980-88 given in the following table.

Table 4.12

Bankwise share in total Export Credit by Public Sector banks.

(Percent) (1980-1988)

Sr.No	Bank	1988	1987	1986	1985	1984	1983	1982	1981	1980
1	S.B.I.	31.43	23.21	25.89	29.62	25.22	26.24	25.15	28.36	30.43
2	INDIA	9.47	9.69	8.46	8.96	7.80	7.79	7.09	7.13	8.94
3	CANARA	8.52	8.70	7.12	6.92	6.60	6.30	5.67	5.54	5.13
4	BARODA	6.12	7.41	6.79	7.15	7.81	2.15	5.68	7.12	6.81
5	PNB	5.71	5.26	4.69	-	5.22	6.48	6.46	6.22	4.71
6	CNTRL	5.44	6.30	6.98	5.71	5.07	5.79	5.87	5.67	5.51
7	UNION	4.50	5.58	6.98	6.91	7.39	7.73	6.46	5.87	5.60
8	INDIN	4.15	3.46	3.67	3.43	3.18	3.20	3.20	3.62	2.52
9	IOB	3.00	3.55	4.25	5.34	5.93	5.60	5.22	5.10	4.29
10	UCO	2.81	3.21	2.27	2.15	2.78	3.23	3.84	3.08	3.88
11	VIJYA	2.37	1.99	1.63	1.65	1.30	1.55	1.13	1.07	1.09
12	CORPN	1.92	1.86	2.07	1.93	1.94	2.79	2.54	2.60	2.19
13	DENA	1.84	1.96	2.07	2.36	2.26	2.20	2.51	2.38	2.21
14	NEWBK	1.76	1.68	1.31	1.41	1.08	1.06	1.16		1.20
15	SYNDI	1.52	2.90	2.97	2.98	3.64	4.98	4.35	2.72	4.17
16	ANDRA	1.17	1.29	1.96	1.65	1.52	1.93	1.62	1.86	0.98
17	TRVCR	1.16	1.32	1.03	0.60	1.16	0.51	0.80	0.71	0.57
18	PN & SB	1.13	1.59	1.32	1.34	1.17	1.43	1.30	1.48	1.42
19	MAHA	1.07	1.58	1.44	1.49	1.47	1.44	1.64	1.82	1.69
20	UNITED	0.93	1.25	1.48	2.08	1.58	1.61	1.98	1.88	2.21
21	BK & JP	0.93	0.49	0.52	0.56	0.57	0.50	0.54	0.74	0.72
22	INDOR	0.71	1.05	0.75	0.74	0.49	0.54	0.76	0.64	0.79
23	HYDER	0.56	0.68	0.70	1.06	1.09	1.23	1.53	1.34	1.36
24	MYSOR	0.55	0.74	0.68	0.88	0.83	0.69	0.55	0.39	0.41
25	PATLA	0.54	0.44	0.42	0.78	0.35	0.61	0.65	0.67	0.70
26	ORNTL	0.42	0.66	0.53	0.25	0.25	0.28	0.27	0.22	0.12
27	SRSTR	0.27	0.38	0.30	0.37	0.33	0.37	0.43	0.40	0.35
Total nationalised banks		63.85	71.69	69.71	65.39	69.96	69.31	69.59	66.75	64.67
Total S.B.I.Group		36.15	28.31	30.29	34.61	30.04	30.69	30.41	33.25	35.33
Total public sector banks		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source : Appendix XIII.

The above table reveals that S.B.I. top the list in all the years of the study period with a market share ranging between 23 to 31 per cent. Similarly, Bank of India stood second in all the years with a market share of 7 to 9 per cent. The share of top three banks increased from 46 per cent to 49 per cent over the period. The relative share of the S.B.I. group and nationalised banks showed remarkable stability over the period. In 1988, The S.B.I. group accounted for 36 per cent and nationalised banks for 64 per cent.

The rank structure of banks showed remarkable stability between the years 1980 and 1988 as indicated by the rank coefficient of correlation (0.90).

In sum, only three banks provided around half the total export finance in the country of which again S.B.I. had a major share (31 per cent). The rank structure in 1980 and 1988 was almost similar which indicated that majority of the public sector banks failed to play insignificant role in financing one of the prime sector of economy.

R.B.I. should have a second look at the export finance policy so as to provide inducement to banks for financing exports and solve the major constraints in the way. In view of the scarcity of loanable funds with the banks, it would be advisable to bring in more banks to actively participate in export financing by concerted efforts to shape their export financing policies so as to make them attractive for the exporters. Few banks need to be identified for this purpose by R.B.I. after considering their overall capabilities for handling export finance.

(d) Commoditywise analysis of export finance

Exports of our country comprise of traditional products and non-traditional products. The traditional products include Jute, Textile, Tea, Cotton, Cashew, Spices, Coffee, Tobacco etc. The scope of exports in these products is limited due to following reasons,

i) Some of these products are produced by other developing countries also, which provide stiff competition in the world markets ;

ii) The emergence of synthetics has also adversely affected the export prospects of some commodities like cotton and jute ;

iii) In some developed countries there is a quota system for imports of some products, which acts as a constraint in their exports.

The non-traditional exports consists of engineering goods, marine products, leather and leather products, chemicals, textile garments, gems and jewellery, readymade garments, sugar, iron ore, iron steel etc. The well planned export promotion measures taken by the government from the late sixties had an excellent impact on the export of manufactures. This led to the steady growth of the non-traditional products in the export basket. The growth of non-traditional exports reported during the last two decades from Rs. 589 crores in the year 1970-71 to Rs. 7301 crores during the year 1987-88. Their share in total exports went up from 38 per cent to 46 per cent during the period.

The star performance on our export is observed in fabrics, gems and jewellery, leather goods, engineering products and chemicals[1]. Gems and jewellery, garments and leather goods contributed 37 per cent of the total exports in 1987-88, out of which the share of gems and jewellery alone was 16.8 per cent. If engineering goods are clubbed with these three, their share goes upto 45 per cent. The other commodities which also contributed to an increase in export include marine products, coffee and coffee substitutes, rice and iron ores. Due to adverse weather condition during the seventh plan, there was a decline in export of agro based products such as Cashew Kernels, raw cotton and tobacco. This resulted in fall in the share of agro based commodities in total exports from 27.7 per cent in 1985-86 to 16.5 per cent in 1989-90. Share of manufactured products rose from 59.2 per cent in 1985-86 to 73.4 per cent im 1989-90. Due to the low wage labour availabilty in India, the labour intensive industry like leather industry has benefitted a lot from exports. The demand for Indian shoes all over the world created a potential market for this product, and accordingly the exports of leather and leather goods increased from Rs. 770 crores in 1985-86 to Rs. 1951 crores in 1989-90. Indian foot-wear is recieving good response in U.S.A., U.K., Canada, Germany and Japan.

Exports of engineering goods also reported satisfactory performance, having gone up from Rs.954 crores in 1985-86 to Rs.3321 crores in 1989-90. Exports of gems and jewellery with the bulk constituting diamonds amounted to Rs.5296 crores in the year 1988-89, recording a growth of about 75 per cent over the previous year. During 1988-89, India is said to have become the largest exporter of diamond in the world. Chemicals and allied products are fast emerging as an important non-traditional export sector. In view of various incentives extended by the government, this sector has promising export prospects. Export of Chemicals and allied products went up from Rs. 498 cores in 1985-86 to Rs. 2158 Crores in 1989-90. Export of jute manufactures shows a marginal increase in 1989 mainly due to increasing preference for synthetic substitutes. Export of marine products increased from 97,900 tonnes in 1987-88 to 1,58,500 tonnes in 1988-89. These exports are characterised by high degree of product and market concentration. During 1989-90, Japan which is a major export destination for our marine products, faced a dull shrimp market, thereby affecting India's exports. Expansion of acquaculture facilities for production of shrimps in Philippines, Thailand and Indonesia has also exposed India to competition from these countries. Despite rising world demand, India's share in export of other frozen goods has been declining. There exists potential good markets for exports of frozen meat products, eggs, chicken and dairy products in West Asia. The world trade in agriculture products is of the order of about Rs.3,00,000 crores. India's share was only 0.93 per cent (Rs.2,800 crores) though ours is an agricultural country. Amongst all agrculture products, tabbaco has a considerble potential overseas and hence more incentives should be provided to boost the exports of tobbaco.

Amongst the garment exports, cotton garments accounts for largest share in exports, whereas the global trade is dominated by garments made from synthetic and blended fabrics. Major markets for garment exports are U.S.A., Soviet Union, EEC countries, Japan and Canada[2]. Due to quota system in the developed countries like U.S.A. and European countries, our exports to these markets cannot be increased unless we increase the price of exports, which is not possible in view of the competition in the world market. In readymade garment exports, India gets only three months market of developed world. It is mainly because we do not have enough production of winter garments and heavy woolens of modern designs which accounts for eight months season during the year.

The other items exports from our country includes silk,software electronic goods, sport goods, sport goods Bengal, handicrafts, Soyabean meal, cotton and ground nut extraction.

At present three product group, namely gems and jewellary, cotton textiles, including readymade garments and leather goods account for almost half of India's exports[3]. There is an urgent need to diversify the export structure of india and broad base it both in terms of product mix as well as destination markets. There are number of product categories such as electronics, bicycles and components, autoparts, hand tools, industrial fastners, chemicals and pharmaceuticals, leather garments and footwear, toys and dolls to name a few, where the world trade has been rising at a fast pace and India's market share is currently miniscule. In electronic components, the world trade is to the order of US $ 50 billion and exports from India in 1988-89 amounted to US $ 67.5 million only. The demand has been growing for electro-mechanical components such as connectors, switches, relays and ICs where India's exports are very little. Germany, U.K., France, Italy and Netherlands are the principal importers of autoparts but their Offtake from India was very small. Handtools is another item where the world trade is growing rapidly. World imports of handtools in 1987 amounted to over US $ 1850 million. India's share in it was not more than 1.5 per cent. Though there is a large market for garden tools, drainage tools and automotive tools in the developed countries, India's exports are almost negligible mainly because we do not have enough production capacity in the country. Even in consumer goods sector also, India's market share is miniscule compared to the world demand.

The government of India has identified fourteen product groups as thrust items to boost the exports[4]. The difficulty over here is that the production capacity for most of these items in the country is small. The range is limited. The design, finish and packaging is not upto the world standards and efforts have been lacking in modernisation, technological upgradation, product development and research. In most of these product groups there is an urgent need to increase the production volumes, induction of new technology, improve quality standards, upgradation of product designs and finish and intensification of market penetration efforts. The list of fourteen thrust items for exports is as under :-

1. Tea specially packaged and in value added forms.
2. Cereals in particular, wheat.
3. Processed food including friuts and juices, meat and meat products and fresh fruits and vegetables.
4. Marine products especially in value added forms.
5. Iron-ore.
6. Leather and leather manufactures with emphasis on the later.
7. Capital goods and consumer durables.

8. Electronic goods and computer software.

9. Basic chemicals.

10 Fabrics, Piece goods and made-ups.

11. Ready made garments.

12. Woolen fabrics and knitwear

13. Gems and Jewellery.

14. Projects and services.

Out of these fourteen thrust products as listed by the Government of India for exports, the exports for four products namely gems and jewellery, readymade garments, fabrics and leather goods constitutes about half of total exports from India. Even with adequate availability of manpower for computer software at one tenth of world prices, our share in the world market for these product is 0.6 per cent. The other product which is also contributed to increase the exports of our country are marine products, iron ore and to some extent tea. The products like wheat, food processed items and woollen fabrics did not contribute much to the exports of our country.

Against this overall scenario of our commoditywise export trade prospects that an atttempt has been made to study the coverage as well as the role of export finance.

As data for the commoditywise export finance by the banks in our country are not published by the Reserve Bank of India, endeavours were made to collect data from one of the leading nationalised banks for commoditywise export finance for a period of three years, 1987, 1988 and 1989. As this is only a sample study of one of the nationalised banks, inevitably it has some obvious limitations. However, this should not detract us from the validity of the trend and the observations made on the basis of the information procured in this regard.

The following table presents the commoditywise distribution of export finance provided by the sample bank during the three years period from 1987 to 1989.

Table 4.13
Commoditywise Export Finance provided by the sample bank
(per cent(1987-89)

Sr.No.	Commodity groups	1987	1988	1989	Avge.
I	THRUST COMMODITIES				
1	Tea specially packaged and invalue added forms.	2.66	0.75	0.30	1.24
2	cereals in particulars wheat.	-	-	-	-
3	Processed food including fruits and juices, meat & meat products & fresh fruits & vegetables.	0.28	0.29	0.12	0.23
4	Marine products especially in value added forms.	2.40	2.38	1.72	2.17
5	Iron-ore.	0.76	0.79	0.45	0.67
6	Leather & Lateher manuf. with emphasis on latter.	2.48	2.42	4.07	2.99
7	Capital goods & consumer durables.	5.06	4.00	4.37	4.48
8	Electronic goods & computer software.	0.05	0.29	0.50	0.28
9	Basic chemicals.	0.85	0.90	2.76	1.50
10	Fabrics, piece goods & made-up.	9.88	8.47	12.90	10.42
11	Ready made garments.	3.54	3.63	2.57	3.25
12	Woollen fabrics & knitwear.	-	-	-	-
13	Gems and Jewellery.	46.30	48.21	43.80	46.10
14	Projects and services.	-	-	-	-
II	OTHER COMMODITIES	25.74	27.87	26.44	26.67
	Total percent	100	100	100	100

It is observed from the above table that on an average more than 73 per cent of export finance of the bank under study was available to the thrust commodities during the period of three yeras from 1987 to 1989. The other commodities wherein on an average about 27 per cent of export finance is diverted are, cashew kernells, sugar, raw cotton, medical and pharma products, rubber manufactures, coil manufactures, wood and wood manufactures, road vehicle etc. In this group of commodities, the proportion of finance is more in favour of cashew kernells and medical and pharma products.

Out of the 73 per cent share of the thrust commodities nearly 46 per cent was only for one commodity namelygems and jewellery, From the balance 27 per cent, about 15 per cent was for fabrics, piece goods and made up and readymade garments. This means that out of total export finance to thrust commodoities, about 60 per cent goes to three commodities and balance 13 per cent distributed amongst other eleven commodities. It clearly shows uneven distribution of export credit.

The commodities like Tea, Processed food, Iron ore and electronic goods are individually provided with not even 1 per cent out of the total export credit by a bank during the study period. Where as, in case of commodities like wheat, woollen fabrics, and knitwear, bank has not financed any amount during the study period.

It is also observed from the table that alongwith commodities like leather & leather manufactures, fabrics, the commodities like electronic goods, computer software and basic chemicals have shown rising trend in export finance during the period of three years from 1987 to 1989. The other thrust commodities have shown negative trend in export finance. Overall there is a positive trend as more and more exporters are availing export finance bank facilities from the bank for commodities which are relatively new in the export market from our country and wherein diversion of our export trade is essential.

In case of traditional commodities like tea , the bank's export finance in our study is very minimal. Even in case of commodities like processed food, marine products and iron ore the export finance of a bank is negligible. In case of woolen fabrics and knitwear, the bank has not provided any finance to the exporter. In case of Project and Services, exporters are not availing of financing facilities from the bank under reference and this may be due to the Exim bank providing such finance to the exporters.

This being a case study of only one bank, it is very difficult to arrive at any generelisation. However, the observations of this case study are reported here under to get a glimpse of the overall scenerio.

As discussed earlier in this chapter, the export trade of our country is dominated by few non-traditional commodities viz. gems and jewellary fabrics, readymade garments, leather and leather manufactures and to some extent by fast growing commodities like engineering goods and chemical and allied products. The proportion of export finance made available for export of gems and jewellary is disproportinately high even considering the higher proportion of their exports. The obvious reason behind this is the high import content of items which are required for manufacturing of exports, say raw diamonds, gold and other valuable accessories required for fabrication of jewellary and fationing of diamonds to the requirement of foreign buyer. Hence, this group of items contribute much less to the foreign exchange reserves of the country, as 80 to 85 per cent of the value of exports are accounted for by the import content. Other thrust commodities which are being financed by the bank after gems and jewellary are fabrics, piece goods, made up and readymade garments. Unlike gems and jewellary, this commodity group is not having any draw-back of requirement of import content for manufacture of exports. So such commodities should be encouraged more for exports. No doubt, in case of this commodity group, there is a quota system for imports in ceratin industrial countries. But, as this is not the case with all countries, the export to other countries can be increased. Alongwith the incentives from Government of India to such exports, bank has to provide export finance for such fast moving items at a more concessional rate say at 6 per cent. No doubt, to protect the profitability of the banks, R.B.I may have to compensate them by providing more interest subsidy in such cases. Not only that but such incentives should be extended to other traditional commodities like tea, wheat, processed foods, marine products etc. This means that some sort of special incentives are necessary for encouraging export of such commodities where our export trade is very limited and there is no import content. With this, diversion of our export trade can be made possible and many more exporters may join for exports.

The present composition of India's exports is of items which yield low margins and are of high value, particularly garments and gems and jewellary. Hence, there is an urgent need to encourage exports having lower value and higher margins. The bank may be useful for providing more concessional finance to such exports. The Government of India also needs to revise the list of thrust commodities for exports and have to pay more attention toward items which have none or very little import contents. The fresh list needs to be prepared considering the demand for commodities in the ever changing international scenario.

Conclusion

The analysis of the distribution of export credit according to bank group during the study period reveal that the public sector banks accounted for 89 per cent of total export credit. Within the group, the share of nationalised banks was doubled than that of the S.B.I. group. On the other hand, out of the 11 per cent share of the private sector banks, share of foreign banks was much higher than the Indian banks.

Bankwise analysis of export credit provided by public sector banks was undertaken with a view to evaluate the performance of each bank. The Oriental Bank of Commerce and New Bank of India occupied first and second ranks in terms of growth of total export credit and post shipment credit, whereas, New Bank of India, and Oriental Bank of Commerce rank first and second considering the growth in pre shipment credit. Vijaya Bank occupied third rank considering growth of total export credit and pre shipment credit and fifth rank in case of post shipment credit. The small sized banks occupied the first five ranks considering the growth of total export credit. This implies that the bigger banks neglected the area of export credit.

The second indicator of bank performance used in our analysis is the ratio of export credit to total banks' credit. In 1987, Corporation Bank was the only sample bank having ratio of above 10 per cent. Union Bank of India had around 9 per cent, followed by New Bank of India, Vijaya Bank and State Bank of Indore had 7 per cent and six other banks had 5 to 6 per cent. The remaining seventeen banks (which include all big and S.B.I. group banks) had less than 5 per cent. Considering the nationalised banks as a whole, a ratio was 4.95 per cent which was marginally above the public sector banks' average, whereas S.B.I. group had a much lower ratio of 3.62 per cent. It needs to be pointed out here that out of total export credit, around half the public sector banks had pre shipment credit accounting for more than 50 per cent of total export credit. Eight banks had the pre shipment credit ratio above 60 per cent of total export credit. The higher proportion of pre shipment credit may be due to misuse of concessional finance by diverting it to other uses.

Commoditywise analysis of export credit has great relevance for our study. But the relevant data is not available and hence we undertook a case study of one major nationalised bank. The analysis revealed that there was a high degree of concentration only in one commodity namely gems and jewellery, which accounted for nearly 44 per cent of total export credit of the bank in 1989 and 46 per cent of credit provided in three years period (1987 to 1989). Fabrics and piece goods accounted for other 10 per cent. Three commodity groups, readymade garments, leather and leather manufacture and marine products had shares ranging between 2 to 3 per cent, and five other commodities reported less than 2 per cent share. The dangerous dependence on gems and jewellery export financing has another disturbing dimension. This commodity has a very high import content and hence a very limited utility as foreign exchange earner. Our analysis revealed urgent need of diversification in export credit and introduction of new range of commodities. The government has declared specific commodities as thrust commodities. The shares of thrust commodities and other commodities remain remarkably stable between 1987 to 1989, and the average ratio for three years period was, thrust commodities was 73.32 per cent and other commodities 26.68 per cent. This indicates that the banks have not paid attention for State policy of encouraging financing of thrust commodities.

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