

## Analysis the Role of Loans & Advances by EXIM Bank and India's Total Merchandise Exports

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### ABSTRACT

The Export-Import Bank of India (EXIM Bank) is crucial for aiding Indian businesses involved in global trade. Loans & Advances offered by the EXIM Bank act as financial tools for exporters, helping them grow their operations, boost production capacity, and enhance their global competitiveness. This report explores the link between the EXIM Bank's Loans & Advances and India's total merchandise exports through statistical analysis. The study uses annual data on Loans & Advances issued by the EXIM Bank and India's total merchandise exports from 2008-09 to 2023-24. A regression analysis was conducted to investigate the relationship between these variables and to assess their impact on economic growth.

#### Key Regression Findings Statistical Relationship:

The regression analysis reveals a strong positive link between the EXIM Bank's Loans & Advances and India's total merchandise exports. The R-squared value (0.6852) suggests that approximately 68.52% of the variation in merchandise exports can be attributed to the Loans & Advances provided by the EXIM Bank. Regression Equation:  $\text{Exports} = -229.26 + 3.556 \times \text{Loans \& Advances}$  This indicates that for each unit increase in Loans & Advances, India's merchandise exports rise by approximately 3.56 units. Significance of Results: The p-value ( $7.54E-05$ ) for Loans & Advances is statistically significant, showing that the financial support of the EXIM Bank significantly boosts exports. The intercept (-229.26) is not statistically significant, implying that other macroeconomic factors also affect exports when EXIM Bank's support is not considered.

#### Conclusion

The analysis shows a strong and statistically significant connection between EXIM Bank's Loans & Advances and India's total merchandise exports. Financial support from the EXIM Bank is vital for export growth as it provides the necessary capital to exporters. However, external factors such as global demand, trade policies, and domestic infrastructure also play a significant role in export performance.

#### Final Thoughts

The findings underscore the importance of EXIM Bank's role in advancing India's export sector. By adopting strategic financial policies and enhancing support mechanisms, EXIM Bank can further propel India's export growth and economic development. Loans & Advances provided by the EXIM Bank serve as financial instruments for exporters, facilitating the expansion of operations, enhancement of production capacity, and improvement of global competitiveness. This report examines the correlation between the EXIM Bank's Loans & Advances and India's total merchandise exports using statistical analysis.

#### Data Overview

The study incorporates annual statistics on Loans & Advances distributed by EXIM Bank and India's overall merchandise exports for the period 2008-09 to 2023-24. A regression analysis was performed to examine the relationship between the two variables and evaluate their influence on economic growth.

**Keywords:** Loan & Advance, EXIM Bank, Merchandise Export, International Trade, Export Promotion.

## Introduction

This chapter outlines essential terminology related to the study, detailing the reasons behind countries' participation in trade and the growing significance of exports. It underscores the need for this research due to prevalent challenges faced by export credit agencies, setting the stage for the in-depth discussions in the following chapters.

### International Trade: Meaning

International trade involves the exchange of goods, services, and capital across national boundaries. It enables countries to focus on producing goods and services they can efficiently create while importing those they cannot. Trade is supported by agreements, tariffs, and trade policies established by governments and international bodies like the World Trade Organization (WTO). (Bernhard & Leblang, 2002), (Sainam & Bahadir, 2024), (Rezazadeh et al., 2023)

### Functions of International Trade Resource

- Allocation and Specialization – Countries concentrate on producing goods where they hold a comparative advantage, resulting in efficient resource use.
- Economic Growth and Development – Trade aids in GDP growth, technological progress, and industrial development.
- Employment Generation – Export-driven industries generate employment in manufacturing, agriculture, and services.
- Foreign Exchange Earnings – Exports earn foreign currency, stabilizing a country's exchange rate and enhancing foreign reserves.
- Consumer Benefits – Trade offers access to a wide range of products at competitive prices, improving consumer choice and quality of life.
- Enhancing Diplomatic Relations – Trade promotes international collaboration and strengthens diplomatic connections between countries. (Chen et al., 2008)

### Importance of International Trade for Economic Growth

- Trade broadens market opportunities, boosts industrial production, and increases productivity. Promotes Technological Transfer
- Exposure to international markets encourages innovation, research, and development. Improves Living Standards
- Access to diverse goods and services enhances quality of life and affordability. Encourages Industrialization
- Countries diversify their industries by tapping into foreign markets. Reduces Economic Vulnerability
- Diversifying trade partners helps nations mitigate economic shocks. (Camanho et al., 2022)

### Special Focus on India

- As one of the world's rapidly expanding economies, India has significantly benefited from international trade.
- Key Sectors Driving Exports: Pharmaceuticals, textiles, information technology, automobiles, and agriculture.
- Major Trade Partners: The USA, China, UAE, European Union, and ASEAN countries.
- Government Initiatives: Programs like 'Make in India,' (Chacko, 2023) 'Export Promotion Councils,' and Free Trade Agreements (FTAs) aim to enhance exports.
- Challenges: Trade deficits, global economic slowdowns, and protectionist policies of other countries.
- Way Forward: Strengthening infrastructure, diversifying export markets, and increasing involvement in global trade blocs.

## Summary

International trade is crucial for a nation's economic stability, industrial growth, and global competitiveness. For India, expanding trade relationships, improving export competitiveness, and fostering innovation are vital for maintaining economic progress and becoming a global trade leader.

### EXIM Bank: An Overview

The EXIM Bank of India is one of India's two official export credit agencies, established as a fully owned government institution in 1982. Although India had the Export Credit Guarantee Corporation (ECGC), there was a need for specialized institutions to provide direct export financing. The EXIM bank primarily provides credit for exports, along with export guarantees. Before EXIM Bank's formation, the Industrial Development Bank of India (IDBI) partially performed this function but lacked the necessary incentives and expertise as a commercial bank. EXIM Bank is now well-positioned in India, meeting the prerequisites of financial capacity, institutional capability, and good governance, as recommended by Chakrabarti et al. (2008). Although governance in India is often debated, it is motivated by social factors. Given India's export potential and the changing international trade market, EXIM's prominence is likely to increase, with limited resources being its main hurdle. EXIM's role in developing trade relations highlights its function as an export promoter. Its efforts to share experiences with other ECAs have improved bilateral trade relations and enhanced its political hegemony. Its research wings and foreign offices have reduced information asymmetries for Indian exporters, providing useful trends and analyses of export destinations. The bank's efficiency is reflected in the performance of India's project exports over the years.

However, the literature on EXIM banks' role in promoting India's exports remains scarce (Asmus-Bluhm et al., 2024), focusing on four main issues:

- Trend analysis of export financing extent and reasons for adverse movements
- Descriptive analysis of the bank's fund and non-fund-based schemes
- Financial performance analysis of the bank
- Service quality evaluation of the bank

## Export of India

### Introduction

Exports are crucial for India's economic development, driving industrial growth, creating jobs, and earning foreign exchange (FX). The EXIM Bank of India, one of the nation's two official export-credit agencies, was founded in 1982 as a wholly government-owned entity. Although India already had the Export Credit Guarantee Corporation (ECGC), there was a demand for specialized institutions to offer direct export financing. The EXIM Bank's primary role is to provide export credit and guarantee. Before its establishment, the Industrial Development Bank of India (IDBI) partially fulfilled this role but lacked the necessary incentives and expertise that are typical of a commercial bank. Today, the EXIM Bank is well-established in India, meeting the financial capacity, institutional capability, and good governance criteria as suggested by (Chakrabarti et al., 2008). Although governance in India is often debated, it is driven by social considerations. Given India's export potential and the evolving international trade landscape, the significance of the EXIM Bank is expected to grow, with limited resources being its primary challenge. The bank's role in fostering trade relations underscores its function as an export promoter. Its initiatives to share experiences with other ECAs have strengthened bilateral trade relations and enhanced political influence. The bank's research divisions and international offices have reduced information gaps for Indian exporters, offering valuable insights and analyses of export destinations for Indian exporters. The bank's effectiveness is evident in India's project-export performance over the years. However, there is limited literature on the EXIM Bank's role in promoting India's exports (Asmus-Bluhm et al., 2024), focusing on four main issues:

- Trend analysis of the extent of export financing and reasons for adverse movements
- Descriptive analysis of the bank's fund and non-fund based schemes
- Financial performance analysis of the bank
- Service quality evaluation of the bank

## Export of India

Introduction Exports are vital for India's economic growth, driving industrial expansion, job creation and foreign exchange earnings. Over the past two decades, India's export sector has grown significantly, establishing the country as a major player in global trade.

Importance of Exports for India's Economic Growth:

Exports significantly contribute to India's GDP, industrial output, and productivity.

- Employment Generation: Export-oriented industries, such as textiles, IT services, and manufacturing, create millions of jobs. Foreign Exchange Earnings: Export revenues help maintain foreign exchange reserves, ensuring economic stability.
- Global Competitiveness: Increased exports enhance India's global trade position and attract foreign investment.
- Market diversification: Export growth reduces reliance on domestic consumption, balancing the economy.

India Exports Exports (2003–2023) India's exports have grown substantially over the last 20 years, driven by policy reforms, trade agreements, and technological advancements. (Dhawan & Biswal, 1999)

- Early the 2000s (2003–2010): Rise of IT and Manufacturing Exports
  - Exports grew steadily owing to liberalization and globalization. IT and software services emerged as major contributors. Key sectors include textiles, agriculture, and pharmaceuticals.
- 2010–2020: Expansion into New Sectors
  - Engineering goods, automobiles, and petroleum products have grown rapidly.
  - The "Make in India" initiative encouraged domestic manufacturing and exports.
  - FTAs with ASEAN and other regions have expanded trade opportunities.
- Post-2020: Resilience Amid Global Challenges
  - Despite COVID-19 disruptions, exports rebounded, reaching \$422 billion in FY 2021–22 (Sharma & Panagiotidis, 2005) · Growth in electronic goods, chemicals, and renewable energy products.

### Importance of Exports for India

- Economic Growth: Exports significantly boost India's GDP, industrial output, and productivity.
- Employment Generation: Export-oriented industries, such as textiles, IT services, and manufacturing, create millions of jobs.
- Foreign Exchange Earnings: Export revenues help maintain foreign exchange reserves, ensuring economic stability.
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- Diversification of Markets: Export growth reduces dependence on domestic consumption, balancing the economy.

### Growth of India's Exports (2003–2023)

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  - Growth in electronic goods, chemicals, and renewable energy products.

### Conclusion

India's export sector has grown tremendously in the last two decades, diversifying into new markets and industries. With continued policy support, infrastructure development, and global trade integration, India is set to strengthen its position as a major export powerhouse.

### Objective of the Study

- To evaluate how Loans & Advances from EXIM Bank influence India's overall merchandise exports through empirical study.
- To investigate the relationship between Loans & Advances from EXIM Bank and India's overall merchandise exports provided by the bank, assessing its financial stability and credit performance.

### Methodology

This study employs both qualitative and quantitative methods. The qualitative aspect involves examining policy frameworks, trade agreements, government initiatives, and global economic factors that affect the relationship between EXIM Bank's loans and advances and exports. This approach may include case studies, expert insights, and historical trends to highlight structural changes and external factors influencing India's trade dynamics beyond mere numerical correlations. On the quantitative side, the research analyzes the impact of EXIM Bank's loans and advances on India's exports through correlation, regression analysis, and hypothesis testing. Secondary data spanning 15 years (2008-2024) on EXIM Bank's loans and advances and merchandise exports will be sourced from reputable organizations like the World Bank, RBI, and the Ministry of Commerce.

### Quantitative Tools Applied

- Correlation Analysis – To assess the strength and direction of the relationship between EXIM Bank's loans and exports.
- Regression Analysis – To measure the effect of EXIM Bank's loans on exports.
- Hypothesis Testing – Using statistical tests (e.g., t-test) to evaluate the significance of the findings.

### Data Analysis

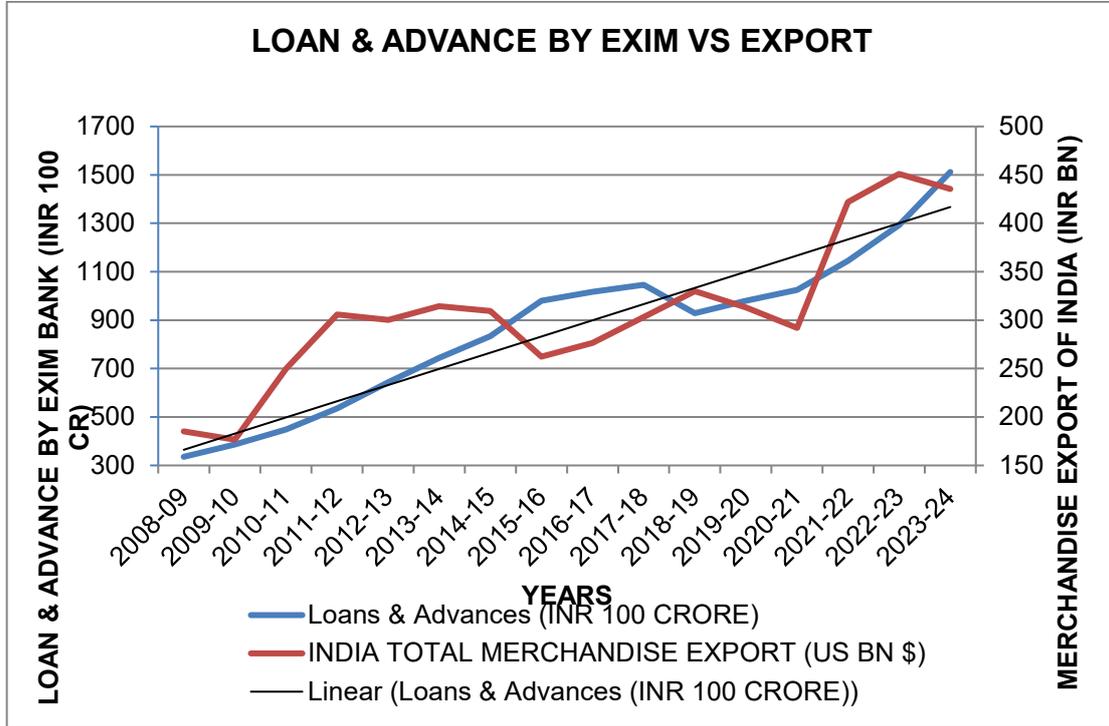
Analyzing the data on loans and advances provided by the Export-Import (EXIM) Bank of India and India's merchandise exports is essential for understanding how financial support influences trade performance. EXIM Bank is instrumental in offering credit facilities, export financing, and risk mitigation strategies to Indian exporters, aiding their competitiveness in global markets. Below is a table showing the loans and advances provided by EXIM Bank of India and India's total merchandise exports.

**Table 1: Loan & ADV VS T. Merchandise Export**

Year	Loans & Advances (INR 100 Crore)	India Total Merchandise Export (US BN \$)
2023-24	1512.01	435.3
2022-23	1292.33	451
2021-22	1145.62	422
2020-21	1024.41	292
2019-20	980.52	313
2018-19	929.17	330
2017-18	1046.57	303.3
2016-17	1017.16	276.5
2015-16	979.92	262.3
2014-15	834.21	309.6
2013-14	743.98	314.4
2012-13	643.53	300.4

2011-12	535.90	306
2010-11	447.97	249.8
2009-10	386.11	176.6
2008-09	335.56	185.3

Source: Schedule VIII, Annual Report of Exim Bank of India from 2008-24 and <https://data.rbi.org.in>



**Graph 1: Loan & ADV. VS T. Merchandise Export**

Source: Line Graph made by above Table with the help of Spreadsheet

**Explanation**

The scatter plot illustrates the relationship between EXIM Bank of India's Loans & Advances (X-axis) and India's Total Merchandise Exports (Y-axis). The trend line represents the linear regression fit, showing the general pattern of how exports vary with increasing EXIM Bank loans. Key Observations: Positive Relationship: The trend line's upward slope indicates a positive correlation between EXIM Bank's loans and India's total merchandise exports. As EXIM Bank extends more loans and advances, total exports generally rise. Dispersion of Data Points: The data points are dispersed around the trend line, suggesting that while there is a general positive relationship, other factors may also affect merchandise exports. Strength of Correlation: The proximity of data points to the trend line reflects the correlation's strength. If the points were closely clustered around the line, it would suggest a strong correlation. Here, the scatter indicates a moderate correlation, implying that while EXIM Bank's loans influence exports, other variables might also be at play. Interpretation of the Trend Line: The trend line suggests that increased loans and advances by EXIM Bank lead to a rise in merchandise exports. This supports the notion that financial support aids trade by providing exporters with the necessary capital for production, infrastructure, and expansion.

**Summary Output**

Regression Statistics	
Multiple R	0.827792
R Square	0.68524
Adjusted R Square	0.662757
Standard Error	192.528
Observations	16

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	1129740	1129740	30.4783	7.54E-05
Residual	14	518938.5	37067.04		
Total	15	1648679			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-229.263	204.1353	-1.12309	0.28029	-667.089	208.5642	-667.089	208.564153
India Total Merchandise Export	3.556199	0.644156	5.520715	7.54E-05	2.174623	4.937775	2.174623	4.937775

\*Above summary table is made by author with the help of Microsoft excel.

### Summary of Regression Analysis

The regression output provides statistical insights into the relationship between Loans & Advances given by the EXIM Bank of India (Independent Variable - X) and India's Total Merchandise Exports (Dependent Variable - Y). Below is a breakdown of the key components:

- Regression Statistics**

Metric	Value	Interpretation
Multiple R	0.8278	It indicates a strong positive correlation between EXIM Bank loans and India's merchandise exports.
R-Square (R <sup>2</sup> )	0.6852	EXIM Bank's loans and advances explain 68.52% of the variation in merchandise exports.
Adjusted R-Square	0.6628	The model was adjusted for the number of predictors, suggesting a good model fit.
Standard Error	192.528	The average deviation of the actual export values from the regression line.

- ANOVA (Analysis of Variance)**

Source	df	SS	MS	F-Statistic	Significance F
Regression	1	1,129,740	1,129,740	30.4783	7.54E-05 (0.0000754)
Residual	14	518,938.5	37,067.04	-	-
Total	15	1,648,679	-	-	-

Key Findings from ANOVA:

- The F-statistic (30.4783) is large, indicating that the regression model is statistically significant.
- The Significance F (0.0000754) is very low (<0.05), meaning there is strong evidence that the independent variable (EXIM Bank Loans) has a significant impact on merchandise exports.

- Coefficients Table**

Variable	Coefficient	Standard Error	t-Statistic	P-value	95% Confidence Interval
Intercept	-229.263	204.1353	-1.1231	0.2803	(-667.089, 208.564)
Loans & Advances (X)	3.5562	0.6442	5.5207	7.54	(2.1746, 4.9378)

Key Interpretations:

- Intercept (-229.263)
  - When EXIM Bank's loans are zero, India's total merchandise exports would be negative, which is not practical but indicates that other factors are crucial for export performance.
- Slope (3.5562)
  - For every additional 1 billion USD loan provided by EXIM Bank, India's merchandise exports increase by approximately 3.56 billion USD, and
  - This suggests a strong positive impact of the EXIM Bank's financial support on exports.

- P-Value for Loans & Advances (7.54E-05)
  - A P-value < 0.05 indicates a statistically significant relationship.
  - This means that loans and advances from the EXIM Bank significantly influence merchandise exports.

### Findings & Interpretation

- Strong Positive Relationship
  - The Multiple R value (0.8278) and positive coefficient (3.5562) indicate that the EXIM Bank's loans have a strong positive influence on India's merchandise exports.
- Good Predictive Power
  - The R<sup>2</sup> value (0.6852) means that approximately 68.52% of the variation in exports is explained by EXIM Bank loans.
  - However, 31.48% of the variation is due to other external factors, such as global demand, trade policies, and currency fluctuations.
- Statistically Significant Impact
  - The low p-value (7.54E-05) and high F-statistic (30.4783) confirm that EXIM Bank loans significantly impact exports.
  - The null hypothesis (H<sub>0</sub>: No impact) is rejected in favor of the alternative hypothesis (H<sub>1</sub>: EXIM Bank loans impact exports).

### Conclusion & Recommendations

#### Conclusion

- There is a strong and statistically significant positive correlation between EXIM Bank loans and India's total merchandise exports.
- Conclusion and recommendations: There is a robust and statistically significant positive relationship between EXIM Bank loans and India's total merchandise exports. An increase in financial assistance from EXIM Bank directly enhances India's export performance. Nevertheless, loans alone do not account for all variations in exports (R<sup>2</sup> = 68.52%), indicating that other factors contribute.

#### Recommendations for Implementation

- Increase in EXIM Bank Funding: Given that higher loans enhance exports, EXIM Bank should expand its loan distribution to further support exporters.
- Focus on High-Growth Sectors: EXIM Bank should concentrate on industries with significant export potential, such as pharmaceuticals, IT, and textiles, for targeted financial assistance.
- Monitor External Factors: Since 31.48% of the variation in exports remains unexplained, the government should also address trade policies, global demand, and infrastructure to boost export growth in the long run.
- Further Analysis with Additional Variables Future research should incorporate additional macroeconomic factors, such as exchange rates, FDI inflows, and trade agreements, to develop a more comprehensive export model.
- However, loans alone do not explain all variations in exports (R<sup>2</sup> = 68.52%), suggesting that other factors play a role.

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