

Onus on banks to push financing of foreign trade

The Foreign Trade Policy is driving digitisation of documents and processes. Banks must now step up and boost credit access

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Foreign Trade Policy 2023, as a continuing vision document with no sunset clause, opens up immense opportunities to activate the financing of foreign trade (FFT). The FTP has set an ambitious export target, from \$760-70 billion in FY23 to \$2 trillion by 2030, with half of this expected to come from merchandise exports.

Flagship government schemes like Make in India, PLI and MITRA are expected to strengthen the manufacturing base for raising export capabilities. E-commerce is projected to reach \$200-300 billion by 2030 from \$5-10 billion now.

FTP23 assures more benefits to export entrepreneurs who can facilitate settlement of foreign trade transactions in rupee instead of dollar.

Taking cue from the spirit of the new FTP, the stakeholders, more importantly banks, should join the government in simplifying the processes and procedures in FFT, for improving

the ease of doing business for entrepreneurs.

The government is promoting the digitisation of export-related documentation, processes and procedure to ensure easy compliance. Automatic rule-based approval system is to be introduced using business analytic tools. Specific timelines for approvals have been fixed to ensure promptness in handling grievances of exporters.

Ease of doing business is a value chain created by every stakeholder. The RBI, banks, Foreign Exchange Dealers' Association of India (FEDAI) and Federation of Indian Export Organisations (FIEO) need to work closely to impart education and digital literacy to export entrepreneurs, to create a vibrant exporting community.

The network of financial literacy and credit counselling centres (FLCCs) operated through banks should be extensively used as nodal centres to disseminate export orientation at the grassroots level.

Even within banks, the knowledge, skill building and training should be widely imparted to increase FFT.



CREDIT FLOW. Needs to improve

Identified bank branches at export epicentres spread in different geographies have to be galvanised to increased FFT.

EXPORT CREDIT

In order to push FFT to the new scale, banks will have to not only prepare people but simplify procedures and set time lines for its major activities. The RBI data indicate that export credit from banks has seen a 25.1 per cent dip to ₹16,909 crore at the end of October 21, 2022, compared with what it was a year

ago. The lack of liquidity is a big challenge for exporters, and branches should be made to focus on FFT.

The RBI had fixed a threshold for export credit at a minimum of 2 per cent of the total bank credit but the current performance is far lower than the level. Systems, people and processes have to be reinvented and galvanised to mine the full potentiality of FFT opened up with FTP23.

Technology should be explored to improve efficiency, monitoring, and facilitate timely interventions to create the right kind of performance incentivisation.

Syncing performance parameters of FFT with the larger performance management system will be essential to harness its full potential.

Going forward, the export entrepreneurs should be empowered with right knowledge and financial support guided by FTP23, which can be revamped to suit the evolving international business ecosystem.

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