



A study on the financial performance of the Exim bank of India

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Abstract

Financial performance is crucial for evaluating an institution's effectiveness, efficiency, and profitability. This article assesses a financial institution's effectiveness, efficiency, and profitability over the past five fiscal years, focusing on profitability, liquidity, solvency, asset quality, and efficiency. It provides insights for stakeholders, enabling them to understand the institution's strengths, weaknesses, and potential for sustainable growth. EXIM Bank India's financial performance analysis helps navigate a dynamic economic landscape and achieve enduring financial success.

Keywords: Financial performance, Asset quality, Efficiency, EXIM

Introduction

Financial performance is an essential indicator of a financial institution's ability to manage funds, generate profits, and maintain stability in economic challenges. Over the past five years, scrutinizing a bank's financial performance has yielded invaluable insights into its operational efficiency, liquidity, profitability, asset quality, and overall fiscal well-being. This article delves into the financial performance of EXIM Bank India throughout the five years, encompassing fiscal years 2018-19 to 2022-23. The central focus remains on EXIM Bank India's impact on the Indian economy and its adeptness in navigating a constantly evolving financial landscape. This study defines the essence of financial performance and its integral constituents and dissects EXIM Bank India's financial indicators and ratios. The core objective of this analysis is to foster a more profound comprehension of the bank's strengths, challenges, and potential avenues for growth in the coming years.

Financial performance is an analysis of a company's ability to generate profits, manage resources efficiently, and create value for its stakeholders. It encompasses a wide array of financial metrics and ratios that help measure the success or effectiveness of an organization's operations and strategies over a specific period.

Objective of the study

- To assess the overall financial health and stability of EXIM Bank of India, including aspects like liquidity, solvency, and asset quality.
- To analyze the bank's risk exposure, including credit and operational risks, and propose risk mitigation strategies.
- To ensure sustainable growth and prudent financial management practices are in place.

Statement of the problem

This article aims to comprehensively analyze EXIM Bank of India's financial performance across a designated timeframe. The study seeks to investigate and assess the bank's fiscal well-being, efficiency, and overarching effectiveness in executing its fundamental roles as a

Facilitator of export-import financing. The evaluation involves scrutinizing the bank's ability to uphold adequate liquidity to fulfill short-term obligations and ensure uninterrupted operations.

Limitation of the study

- Limited availability or access to specific financial data may restrict the depth of analysis.
- Analysis may be constrained to a particular period, potentially limiting the applicability of findings to different economic conditions.
- The study relies on a small sample size. It may not accurately represent the bank's overall operations and financial health.

Scope of the study

- Analyzing the bank's financial statements, income, and expenditure to assess its financial stability and health.
- Examining the quality of the bank's assets, including loan portfolios and investments, to determine the level of risk.
- Evaluating the efficiency of the bank's operations' efficiency, including lending practices, risk management, and cost control measures.

Research methodology

This study exclusively relies on data analysis, with all the requisite information sourced from the annual reports of EXIM Bank of India. These reports encompass data from the balance sheet and profit and loss account. The study's sample spans from 2019 to 2023.

Review of the literature

Dipesh B Nathwani (2015), in their article titled "Financial Performance Appraisal of Indian Banking Sector –A Comparative Study of Public and Private Banks in Gujarat," studied three banks each from the general public sector and private sector. The general public sector banks were the depository financial institutions of India, the Bank of

Baroda, and the Punjab Commercial Bank. The private sector banks were HDFC Bank, Axis Bank, and ICICI Bank. The data concerning these banks were collected in ten Financial Years from 2005-06 to 2014-15. The CAMEL model was elaborated in terms of varied ratios concerning overall profitability. The study results indicated that the public sector banks were less profitable than those within the private sector.

Bank profile

EXIM Bank, or Export-Import Bank of India, is India’s leading export financing institute, integrating foreign trade and investment with the country’s economic growth. Founded in 1982 by the Government of India, EXIM Bank is a wholly-owned subsidiary of the Indian Government. The current Managing Director is David Rasquinha. It is headquartered in Mumbai, Maharashtra.

Type	Public
Industry	Banking
Founded	1 January March 1982 (introduced) 7 April 1982 (received the assent of the <u>President of India</u> (Under the Export-Import Bank of India Act, 1981)
Founder	<u>Government of India</u>
Headquarters	<u>Mumbai, India</u>
Area served	9 branches in <u>India</u> (November 2022)
Key people	Ms. Harsha Bangari (<u>Chairman</u>) and (<u>Managing director</u>)
Services	Banking <u>Financial services</u>
Number of employees	540 (2021)
<u>Subsidiaries</u>	Export-Import Bank of India, Asset Management Arm Export-Import Bank of India, London Branch (2006)
Website	<u>www.eximbankindia.in</u>

Data analysis and interpretation tools used

Ratio analysis

CAPITAL ADEQUACY

1. Capital adequacy ratio
2. ASSET QUALITY
3. Fixed asset to total asset ratio
4. Total loan to total asset ratio
5. Total investment to total asset ratio
6. MANAGEMENT EFFICIENCY
7. Borrowings to total assets ratio LIQUIDITY
8. Government securities to total assets

Capital adequacy ratio

Financial year	Tier-i In billion	Tier-ii In billion	RWA In billion	Ratio %
2018-19	114.77	8.81	648.05	19.07
2019-20	131.86	10.10	705.18	20.13
2020-21	145.8	11.42	602.47	25.89
2021-22	168.4	11.26	589.28	30.49
2022-23	182.19	13.51	769.47	25.43

Interpretation

Based on the information provided in the table, it can be observed that Tier I capital increased from Rs.107.60 billion in 2016-17 to Rs.145.8 billion in 2020-21, while Tier II capital saw an increase from Rs.11.42 billion in 2020-21 to Rs.13.51 billion in 2022-23. Risk-weighted assets also experienced growth, rising from Rs.589.28 billion in 2021-22 to Rs.769.47 billion in 2022-23. However, the capital adequacy ratio declined from 30.49 percent in 2021-22 to 25.43 percent in 2022-23. Despite this decrease, it's noteworthy that the capital adequacy ratio remains in compliance with Basel norms. In conclusion, EXIM Bank appears to maintain adequate capitalization.

Fixed asset to total asset ratio

Financial year	Fixed assets In billion	Total assets In billion	Ratio %
2018-19	2.277	1146.25	0.19
2019-20	3.729	1308.40	0.28
2020-21	3.959	1348.01	0.29
2021-22	3.689	1367.41	0.26
2022-23	3.746	1614.66	0.23

Interpretation

As evident from the data presented in the above table, there is a noticeable increase in fixed assets, rising from Rs.3.72 billion in 2019-20 to Rs.3.95 billion in 2020-21. Additionally, the total assets have exhibited growth, escalating from Rs.1.16 billion in 2018-19 to Rs.1.61 billion in 2022-23. Notably, the Fixed Assets to Total Assets ratio has decreased, dropping from 0.29 percent in 2020-21 to 0.23 percent in 2022-23. This suggests that the bank has made sound investments in fixed assets.

Total loan to total asset ratio

Financial year	Total loan In billion	Total assets In billion	Ratio
2018-19	929.17	1146.25	81.06
2019-20	980.51	1308.40	74.93
2020-21	1024.41	1348.01	75.99
2021-22	1145.61	1367.41	83.77
2022-23	1292.33	1614.66	80.03

Interpretation

The data in the table illustrates a noticeable increase in total loans, climbing from Rs.929.17 billion to Rs.1292.33 billion, alongside a growth in total assets, which expanded from Rs.1146.25 billion in 2018-19 to Rs.1614.66 billion in 2022-23. Importantly, the ratio of total loans to total assets has seen a decrease, declining from 81.06 percent in 2018-19 to 80.03 percent in 2022-23. This suggests that the bank has reduced its loan exposure, indicating a relatively high level of liquidity

Total investment to total assets ratio

Financial year	Total investments	Total assets In billion	Ratio
2018-19	93.7	1146.25	8.13
2019-20	108.37	1308.40	8.28
2020-21	100.17	1348.01	7.43
2021-22	109.02	1367.41	7.98
2022-23	123.10	1614.66	7.61

Interpretation

Based on the data provided, it can be observed that the total investment has risen from Rs.93.7 billion in the fiscal year

2018-19 to Rs.123.10 billion in 2022-23. Similarly, the total assets have increased from Rs.1146.25 billion in 2018-19 to Rs.1614.66 billion in 2022-23. The decrease in the total investment to total assets ratio, dropping from 8.13 percent in 2018-19 to 7.61 percent in 2022-23, suggests that the bank has adopted a conservative approach to safeguard its investments against non-performing assets (NPAs).

Borrowings to total assets ratio

Financial year	Borrowings	Total assets In billion	Ratio %
2018-19	141.31	1146.25	12.32
2019-20	143.06	1308.40	10.93
2020-21	128.77	1348.01	9.55
2021-22	161.55	1367.41	11.82
2022-23	367.37	1614.66	22.74

Interpretation

Based on the data provided, it's evident that the bank's borrowings have risen from Rs.141.31 billion in the fiscal year 2018-19 to Rs.367.37 billion in 2022-23. Simultaneously, the total assets have increased from Rs.1,146.25 billion in 2018-19 to Rs.1,614.66 billion in 2022-23. The ratio of borrowings to total assets has increased from 12.32 percent in 2018-19 to 22.74 percent in 2022-23, indicating that the bank's management demonstrates efficiency in servicing its borrowings.

Government securities to total assets

Financial year	Government securities	Total assets In billion	Ratio %
2018-19	81.34	1146.25	7.10
2019-20	88.16	1308.40	6.73
2020-21	93.57	1348.01	6.94
2021-22	92.76	1367.41	6.78
2022-23	106.83	1614.66	6.62

Interpretation

Based on the data provided, it's evident that the value of Government securities held by the bank has risen from Rs.81.34 billion in the fiscal year 2018-19 to Rs.106.83 billion in 2022-23. Simultaneously, the total value of assets has increased from Rs.1,146.25 billion in 2018-19 to Rs.1,614.66 billion in 2022-23. The ratio of Government Securities to total assets has decreased from 7.10 percent in 2018-19 to 6.62 percent in 2022-23, indicating that the bank's asset portfolio carries a lower level of risk.

Findings

- Tier I and Tier II capital increased steadily over the years. Risk-weighted assets increased, indicating the bank's expanding operations. The capital adequacy ratio declined from 30.49% to 25.43% between 2021-22 and 2022-23.
- The Fixed Asset to Total Asset ratio decreased from 0.29% in 2020-21 to 0.23% in 2022-23, indicating sound investments in fixed assets.
- The ratio of total loans to total assets decreased, suggesting reduced loan exposure and a relatively high level of liquidity.
- The ratio of total investments to total assets decreased, indicating a conservative approach to safeguard investments against non-performing assets (NPAs).

- The ratio of borrowings to total assets increased, indicating efficient management of borrowings to support the bank's operations.
- The ratio of Government Securities to total assets decreased, suggesting a lower level of risk in the bank's asset portfolio.

Suggestions

- Continuously monitor and manage capital levels to absorb unexpected losses and consider strategies to maintain or improve the capital adequacy ratio.
- Ensure efficient utilization of fixed assets for overall profitability and regularly assess the fixed asset portfolio for optimization.
- Focus on prudent investment practices to minimize risks associated with the investment portfolio.
- Assess the quality of loans, grant credit to creditworthy borrowers, and monitor non-performing loans to maintain financial health.
- Periodically assess the portfolio composition to optimize returns while managing risk effectively.

Conclusion

EXIM Bank of India's financial performance is marked by stability and prudent financial management, with ratios generally within acceptable limits. Consideration of qualitative factors and external economic conditions is essential in financial analysis. This analysis benefits stakeholders, including investors and policymakers, by informing decision-making and highlighting areas for the bank's continued focus on sustaining growth and financial stability.

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