

# 360<sup>tf</sup> EXPORT FINANCE SURVEY REPORT

IN PARTNERSHIP WITH



Facilitating Open Account - Receivables Finance

## Average Tenure of Credit Period

85%

Upto 90 Days

7%

120 Days

8%

180 Days & Above

## Working Capital Facilities Utilized

Pre-shipment Finance

32%

14%

Term Loan from NBFIS

29%

Term Loan from Banks

25%

Post-shipment Finance

# INDIAN CORPORATES



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# **Export Finance Survey**

## **Findings 2023**

### **Indian Corporates**

**In Partnership With**



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*August 1<sup>st</sup>, 2023*

*\*All figures are in USD*

*360<sup>tf</sup> Export Finance Survey Findings 2023, Indian Corporates*



# Foreword

We are delighted to share the findings of the first of its kind Export Finance Survey from the perspective of Indian corporates which was conducted in collaboration between FCI and 360<sup>tf</sup>. The survey was designed to illuminate current trends and developments in export finance with a focus on factoring and it has been a journey of great learning.

First and foremost, we want to express our sincere gratitude to FCI for their unwavering commitment, expertise, and collaboration throughout this survey initiative. FCI's dedication to promoting and enhancing trade finance practices globally has been instrumental in ensuring the success and credibility of this report. Our alliance with FCI allowed us to gather perspectives from a diverse range of industry stakeholders, including financial institutions, businesses, and trade experts. The mutual exchange of ideas and the comprehensive research that FCI contributed have added immense value to the final report.

We also want to acknowledge & commend the Support from Mr. Peter Mulroy, Secretary General FCI, in fostering a collaborative environment that encourages knowledge sharing and growth. His insights and perspective illuminated new dimensions to this Report. The dedication of Mr. Peter Mulroy and his team to this endeavor has been truly inspiring, and we at 360<sup>tf</sup> are honored to have been part of this meaningful partnership.

In this report, we delve from the perspective of Indian corporates into the latest market trends, emerging opportunities, challenges faced by businesses, and how export financing alternatives like factoring can facilitate economic growth. We believe that this report will be of great value to professionals in the trade finance sector, importing and exporting businesses as well as financing institutions. It is our hope that the data and analysis provided will inform decision-making, inspire innovation, policy assessment and contribute to the expansion of trade financing alternatives available to corporates in India. Moreover, we are firmly convinced that the subsequent installments of the report, centering on different countries worldwide, will similarly yield a positive and transformative influence on other corporations.

We invite you to explore the report's findings, share your thoughts, and engage in discussions surrounding the future of export finance and factoring. Your insights are invaluable in shaping the way forward for our industry.

Once again, we extend our heartfelt gratitude to FCI for their invaluable contribution. We look forward to the continued growth of our partnership and to jointly exploring new avenues for enhancing the trade finance landscape.

Thanks & Regards,

**Vikram Lodha**

**Co-Founder & CEO**

**360<sup>tf</sup>**

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## I. Survey Objective

### SUMMARY

This report contains the findings of The Export Finance Survey conducted in the first half of 2023 by 360<sup>tf</sup>, in partnership with FCI (previously known as Factors Chain International). 360<sup>tf</sup> is a trade finance services and fintech company with Importer and Exporter clients from 30 countries and transaction flows between 70 countries and growing. FCI is the Global Representative Body for Factoring and Financing of Open Account Domestic and International Trade Receivables. With close to 400 member companies in 90 countries FCI offers a unique network for cooperation in cross-border factoring.

The survey data was collected over a three-month period from major exporting states in the Republic of India. The survey is the first of its kind focusing exclusively on the topic of cross border post shipment finance and associated challenges, preferences, and perceptions of Indian corporates. Due to its unprecedented focus, considerable thought was given to the scope and structure of the survey. The guiding force was to capture varying sets of responses from exporters on their export financing and business predicaments; as well as capture a small representation of the import side of operations. All the while keeping the questions and prompts simple and limiting the totality of questions posed.

The objective of this series of surveys is to collate global corporate focused post-shipment trade finance market insights with India being the starting point of the series. The over-arching endeavor is to strengthen cross-border post-shipment financing infrastructure; and bring various stakeholders, like the corporates, financing institutions and regulatory authorities together to deliberate issues and provoke practice and policy changes.

### SURVEY OVERVIEW

**Medium:** The survey was deployed digitally on the 360<sup>tf</sup>.trade website.

**Engagement:** The survey was distributed to exporters in key international trading states in India through the 360<sup>tf</sup> trade relationship team via email, phone, and messaging. Additionally, one hundred letters of engagement were issued to various trade organizations in India seeking support for distribution to their constituents.

**Question Construction and Category:**

The questionnaire constitutes 22 questions with the following response prompts:

- 1) Multiple Selection
- 2) Ranking
- 3) Binary Response

Further, the questions belong to the following categories:

A) Business Profile and Current Market Trends:

These questions profile the responded corporates and include parameters such as Shipment Characteristics and Trading Partners. **Respondent Profile:** Respondents are Indian exporting and importing corporates from 22 states. All figures are in USD.

B) Facilities and Arrangements:

This bucket of questions gathers financing arrangement details such as Terms of Payment, Average Tenure, Working Capital Facilities, Insurance Cover and Factoring Arrangement

C) Widespread Issues:

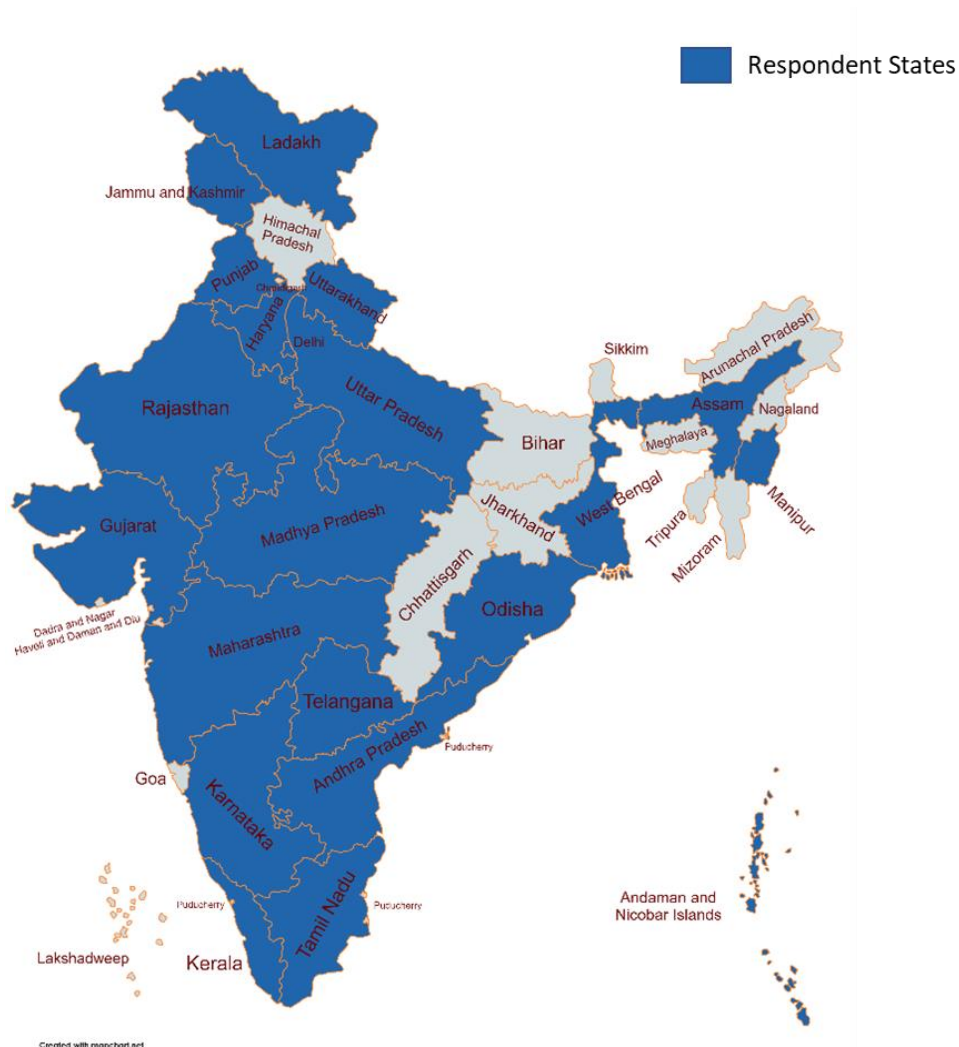
Questions posed in this group include Scaling Constraints, Covid Impact and Trade Terms dynamics.

## II. Survey Findings

### A. BUSINESS PROFILE & CURRENT MARKET TRENDS

#### 1. Indian State Coverage

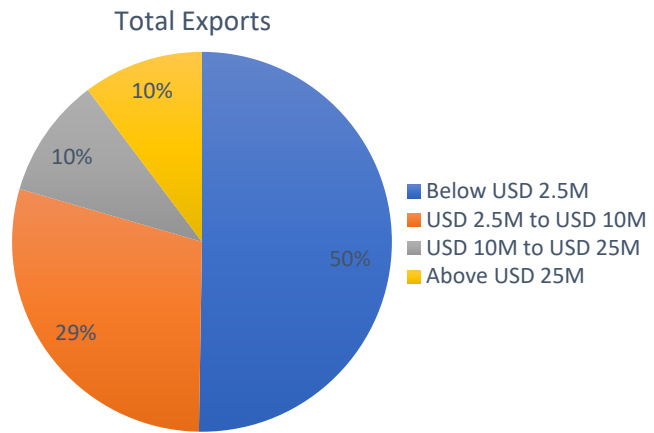
The respondent corporates originated from 22 states from all four corners of the Republic of India. There are 22 scheduled languages in India; however, the survey questions and responses were recorded in English. The largest number of respondent corporates were incorporated in the states of Tamil Nadu and Maharashtra.



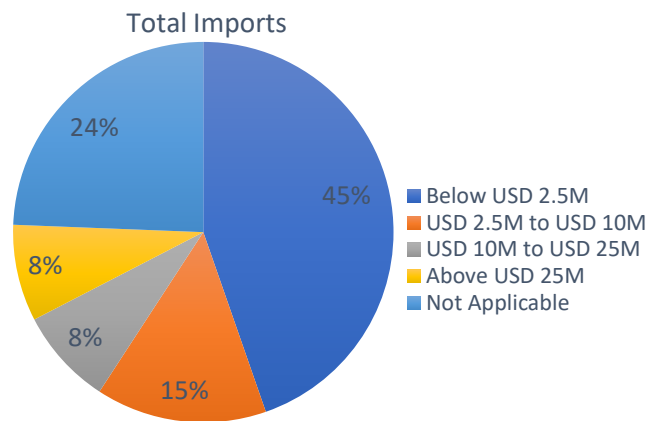


## 2. Exports/Imports Volume

Of the four buckets of trade volume from below 2.5M USD, between 2.5M to 10M USD, between 10M and 25M USD and above 25M USD, majority of the respondents recorded export volumes of less than 2.5M USD.

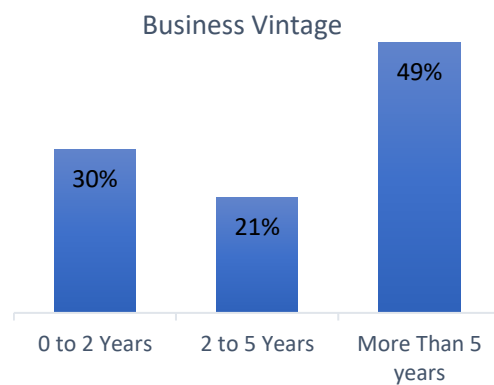


Similarly, most of the respondents recorded imports of less than 2.5M USD. In fact, most of the participants selected the not applicable response prompt indicating that the gathered sample constitutes companies engaging in export and limited direct import supply chain. However, this group’s local supplier base may include corporates that import or those that source locally.



## 3. Business Vintage

49% of the respondent exporters have been engaging in international exports and imports for more than 5 Years. A healthy 30% of respondents also belong to the new entrant category.



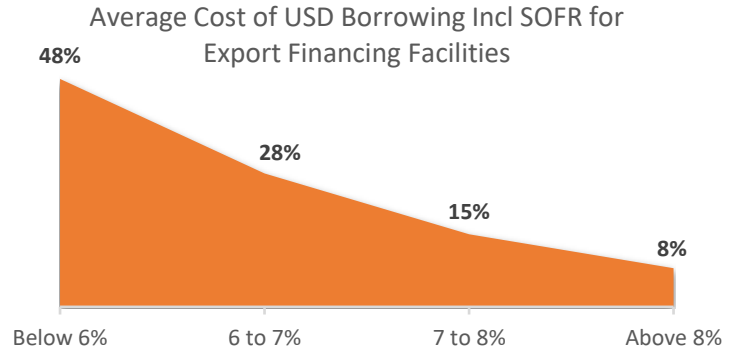
\*All figures are in USD

#### 4. Average Transaction Characteristics of Respondent Corporates

##### Average Borrowing Cost

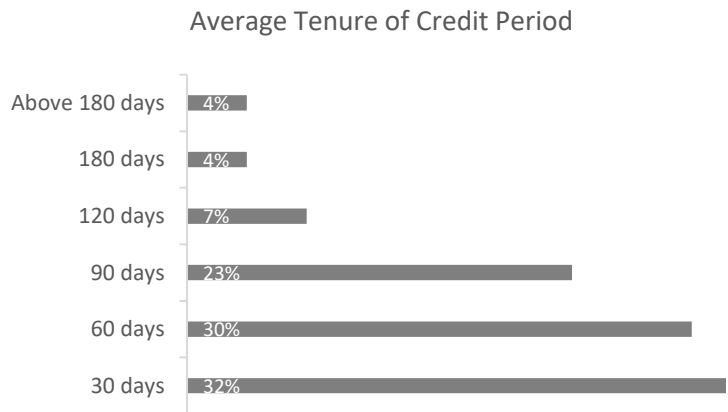
The majority reported export financing facility cost of below 6% including SOFR.

(Note: During survey period, term average SOFR was 4.34% to 4.54%)

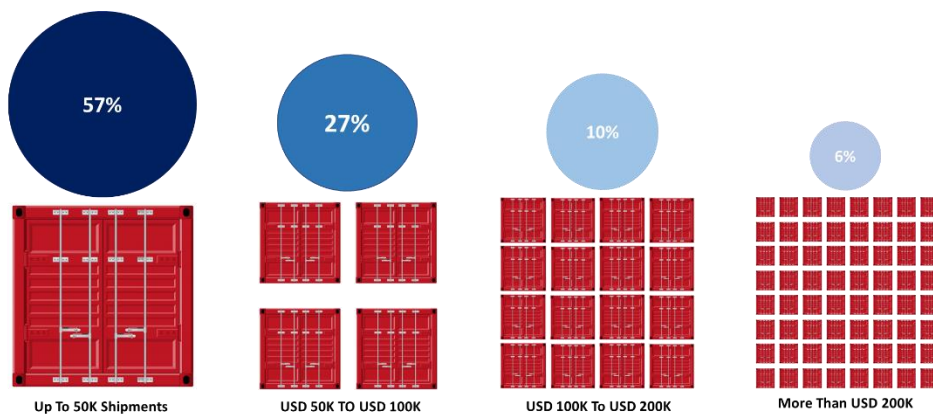


##### Average Credit Tenure

The import business partners of the respondent corporates request a credit period of 30 to 90 days with some requesting 120 days and above.



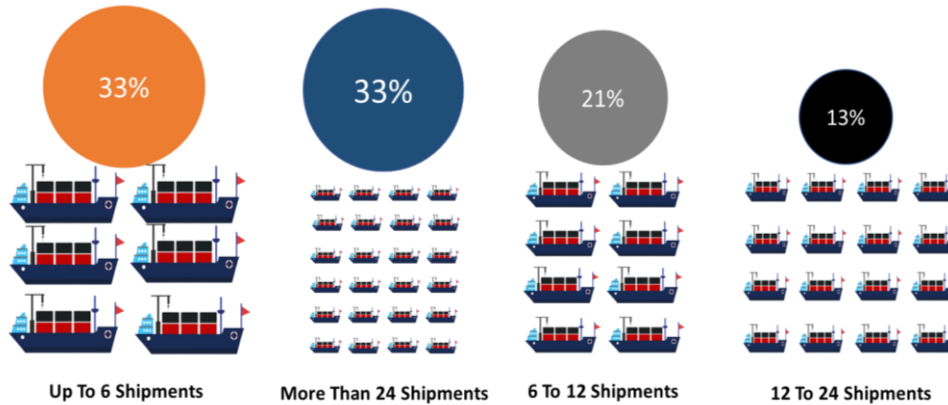
##### Average Value of Export Shipment



The average value of one export shipment of the surveyed corporates is within 100K USD, primarily allocated to shipment value of 50K USD or less.

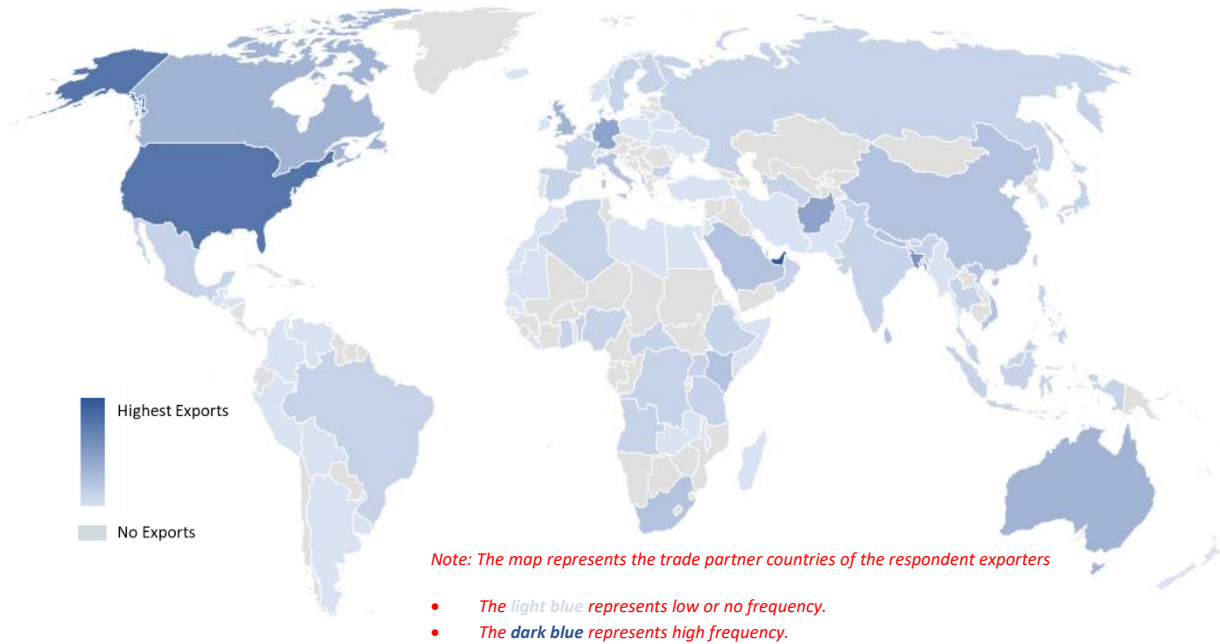
\*All figures are in USD

Yearly Shipment Count



A third of the respondents’ report making more than 24 shipments in a year. An additional third report making shipments of less than 6 a year. The balance dispatch 6 to 24 shipments yearly.

5. Trading Partners by Country



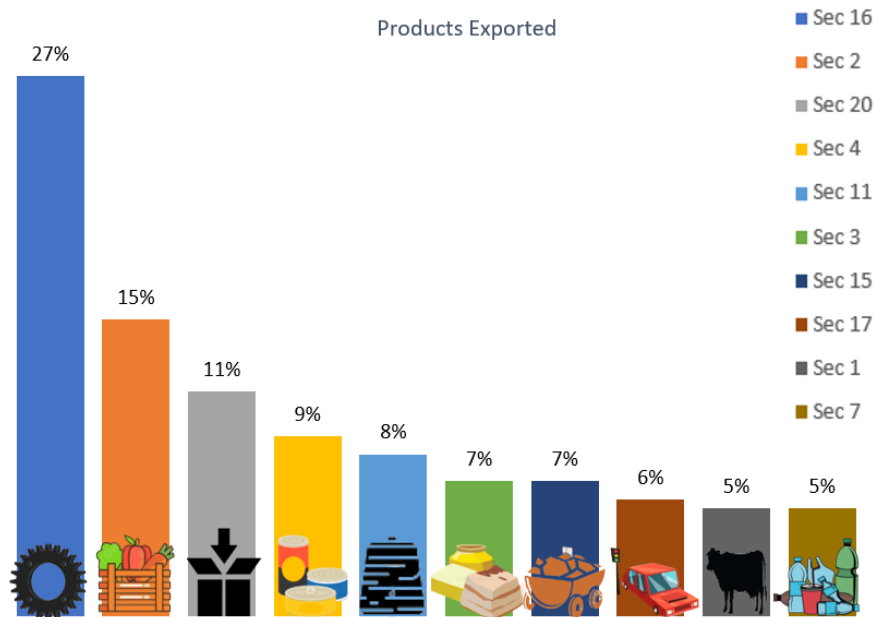
**Top 10 Most Popular Trading Countries (Descending)**

United Arab Emirates	United Kingdom
United States	Australia
Bangladesh	Canada
Afghanistan	China
Germany	Kenya

The surveyed corporates export to 111 countries. The top export destinations are North America, Middle East, China, and East Africa regions. The table lists in descending order the top 10 most popular trading countries as per the collated survey data.

\*All figures are in USD

## 6. Top Exported Goods



HSN SECTION	PRODUCT CLASSIFICATION
<b>SECTION 16</b>	Machinery and mechanical appliances; electrical equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles
<b>SECTION 2</b>	Vegetable products
<b>SECTION 20</b>	Miscellaneous manufactured articles
<b>SECTION 4</b>	Prepared foodstuffs, beverages, spirits and vinegar, tobacco, and manufactured tobacco substitutes
<b>SECTION 11</b>	Textile & textile articles
<b>SECTION 3</b>	Animal or vegetable fats and oil and their cleavage products; prepared edible fats; animal or vegetable waxes
<b>SECTION 15</b>	Base metal & articles of base metal
<b>SECTION 17</b>	Vehicles; aircraft; vessels & associated transport equipment
<b>SECTION 1</b>	Live animals, animal products
<b>SECTION 7</b>	Plastics and articles thereof, rubber and articles thereof

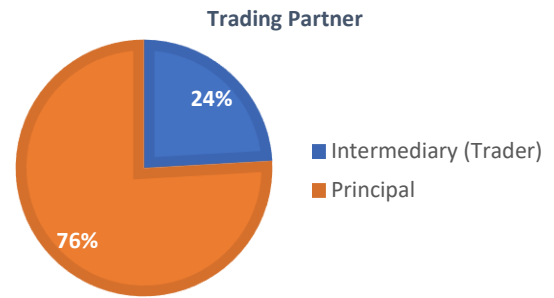
The response prompt to the categorization of goods exported was classified under the 21 sections of the global Harmonized System of product classification. All 21 sections of product were selected as a response by the surveyor group.

The top two exported products are Machinery and Mechanical Appliances (Sec.16) and Vegetable Products (Sec. 2). The former product category accounts for nearly 30% of the total exports of the top 10 exported categories of goods.

[Click Here](#) for the complete 21 HSN Sections List.

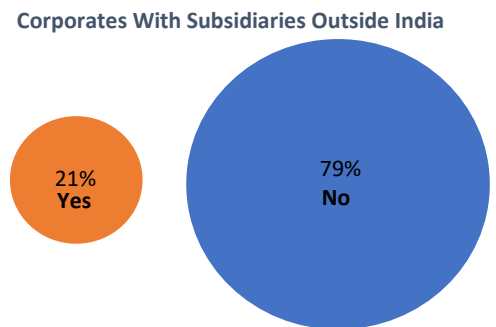
## 7. Trading Partner Type

Nearly two-thirds export to Principal importer and the remaining to trade intermediaries.



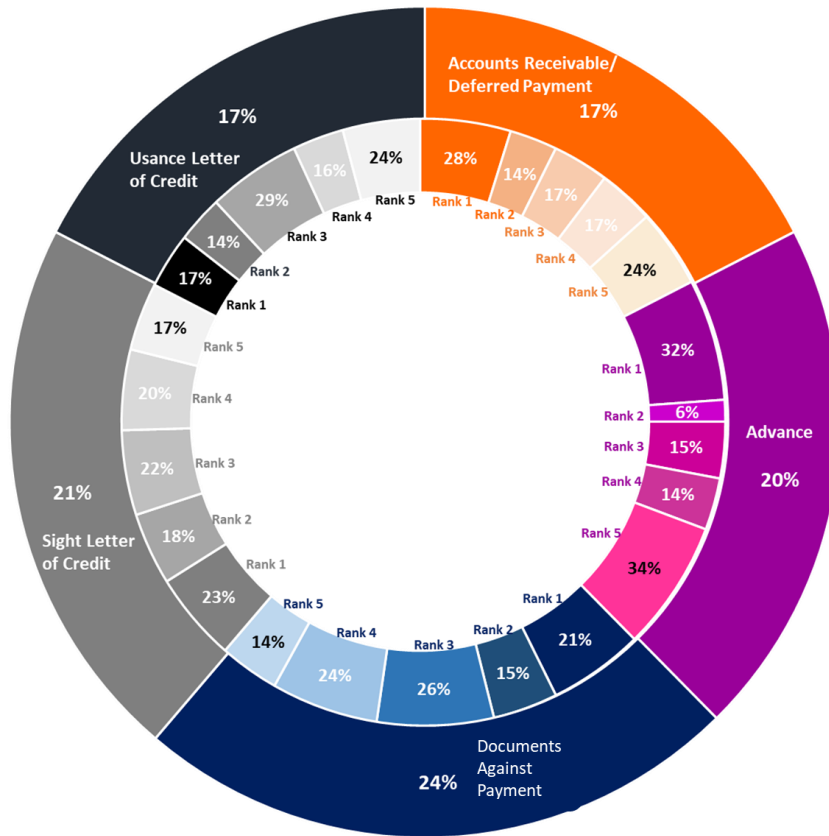
## 8. Subsidiaries

Majority of the respondent group indicated having no presence outside of India. This could be due to multiple factors such as size of the respondent, nature of business, deployment of third-party agents, lack of opportunity or awareness.



## B. FACILITIES AND ARRANGEMENTS

### 9. Preferred Terms of Payment



This donut depicts the types of terms of trade and relationship Indian Exporters have with Importers. It tabulates the most preferred terms of payment from the five illustrated in the outer donut from the perspective of:

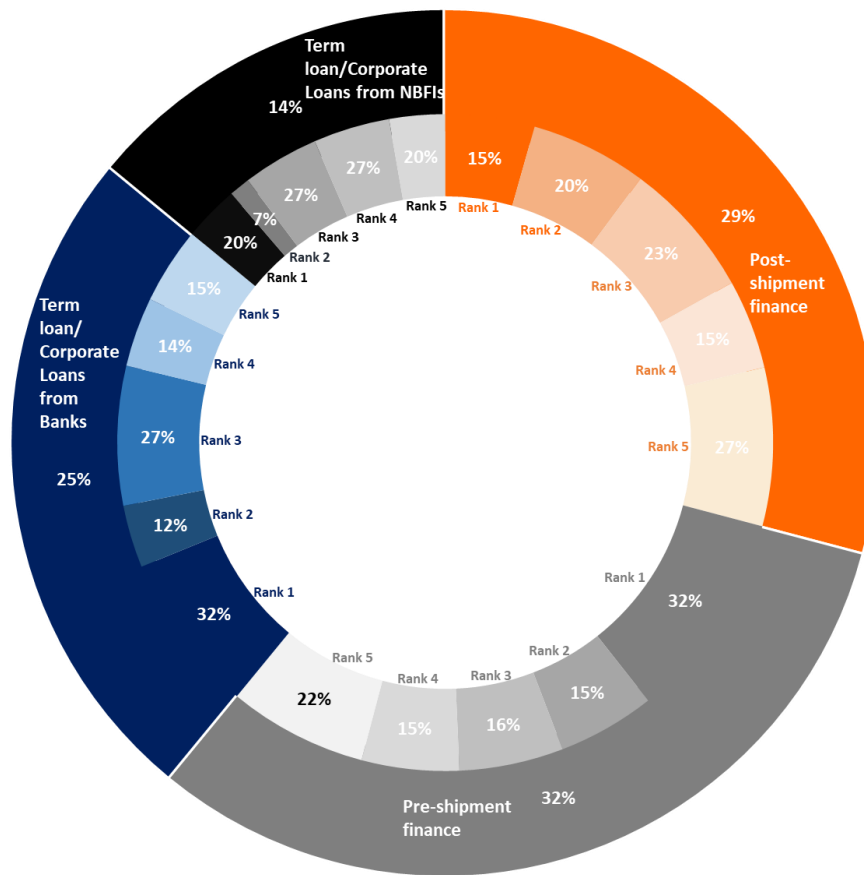
- a) Overall Utilization of a particular method of payment - Outer Donut
- b) Ranking of the payment method from most contracted (1) to least (5) - Inner Donut

The most prominent terms of payment negotiated with or by the importer is Documents Against Payment followed by Sight Letter of Credit, Cash Advance, Deferred Payment, and Usance Letter of Credit.

However, open account trade financing arrangements such as Advance and Accounts Receivable are the most preferred (inner donut) and negotiated in the exporter/importer relationship depending on the balance of power.

\*All figures are in USD

### 10. Working Capital Facilities Utilized



This donut depicts the types of Working Capital Facilities utilized by Indian Exporters. It tabulates the most preferred facility from the perspective of:

- a) Overall Utilization of a particular Working Capital facility - Outer Donut
- b) Ranking of the specific Working capital facility from most contracted (1) to least (5) - Inner Donut

The left-hand side of the donut pertaining to Term and Corporate Loans is less utilized compared to the right-hand side pertaining to Pre and Post shipment finance. Within Term and Corporate Loans working capital arrangement, respondents report that a small percentage is provided by NBFIs.

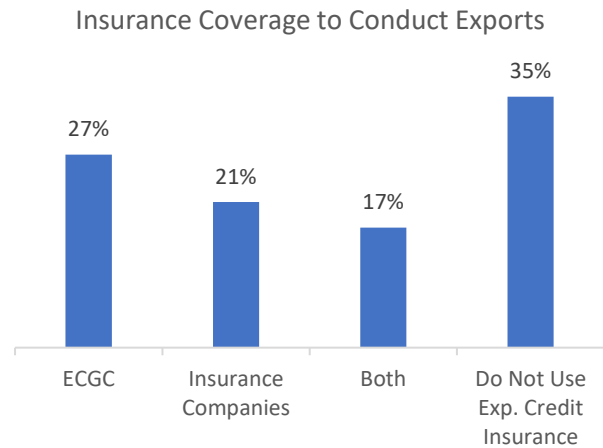
As per the tabulated responses, Pre-shipment finance is the most utilized followed by Post-shipment finance. Those corporates that avail Pre-shipment finance, indicate a greater preference for it compared to the corporates that avail Post-shipment finance. It would be interesting to uncover the reasons behind the preference ranking to understand if the preference is dictated by structural or idiosyncratic factors.

\*All figures are in USD

### 11. Export Credit Insurance Cover

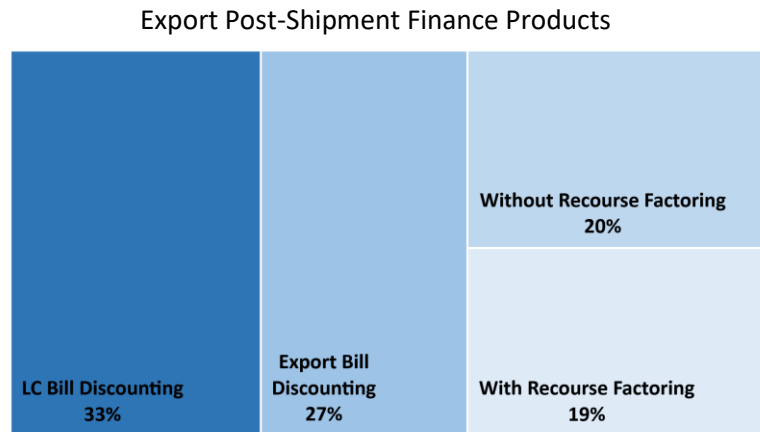
Nearly 35% of the participants indicated they do not utilize export credit insurance in response to the question on the type of insurance provider they use: ECGC or Insurance Companies.

Those with credit insurance are covered to a greater extent by ECGC (27%) compared to private insurance companies (21%). The remaining 17% of the respondents utilize both providers.



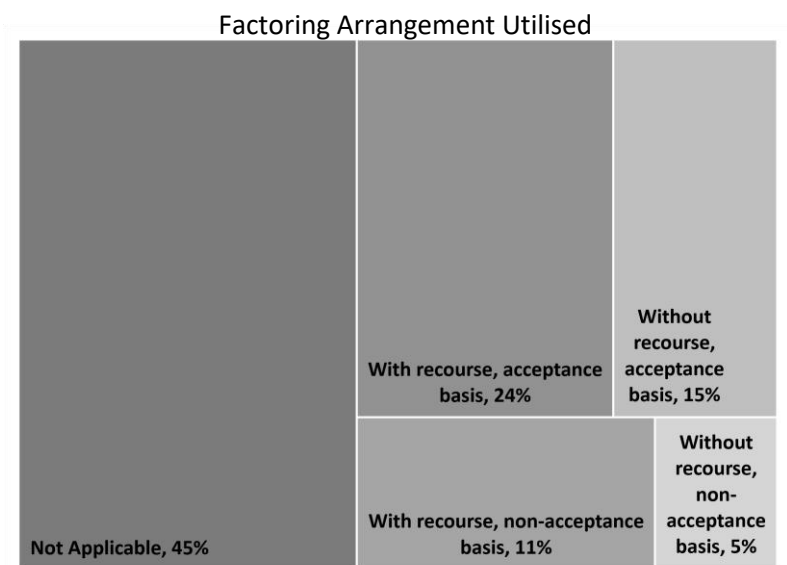
### 12. Post-Shipment Finance Products Utilized

LC Bill Discounting and Export Bill Discounting were popular choices for post-shipment finance products.



### 13. Type of Factoring Arrangement

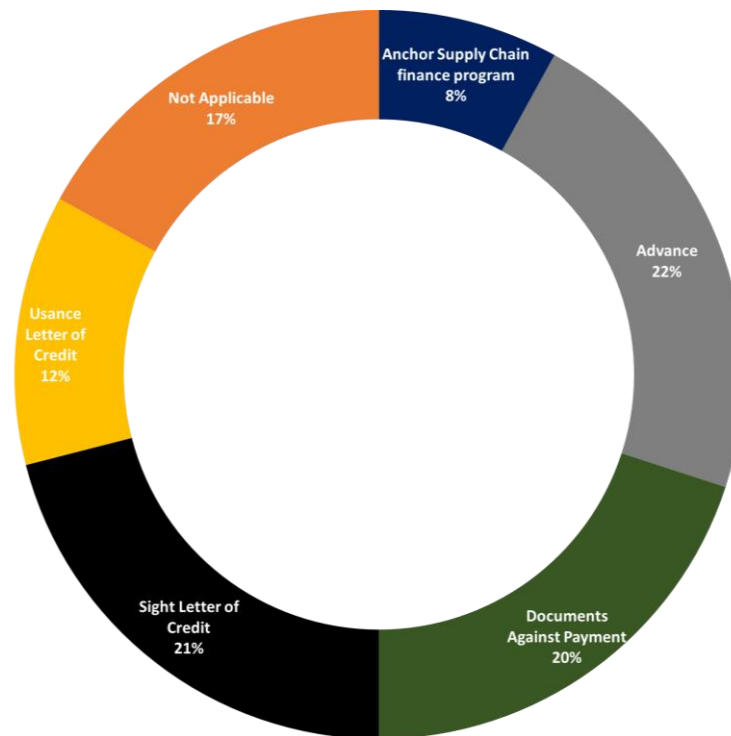
Recourse on an acceptance basis was the most preferred factoring arrangement among the respondents who engage in or are seeking to engage in invoice factoring arrangements.



\*All figures are in USD



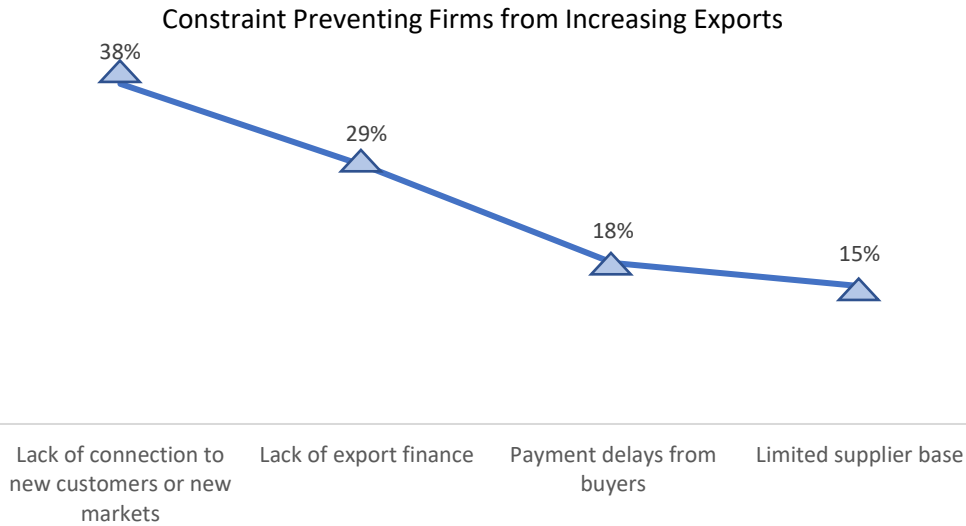
## 14. Import Terms of Payment



This donut depicts the imports terms of trade exporting Indian corporates are party to. 17% of the respondent group does not engage in direct imports. Of those that do import, the highest percentage pay for these imports through Cash Advance. The other two popular payment arrangements are Document Against Payment and Sight Letter of Credit. Usance Letter of Credit is utilized to a lesser extent of 12% compared to the 20%+ of the other three. A very small percentage of the Indian corporates state being member of an international Anchor Supply Chain Program. Considering the prevalence of Supply Chain Financing in India's leading trading partners Europe and US, this presents an opportunity to develop this financing arrangement for Indian Importers.

## C. WIDESPREAD ISSUES

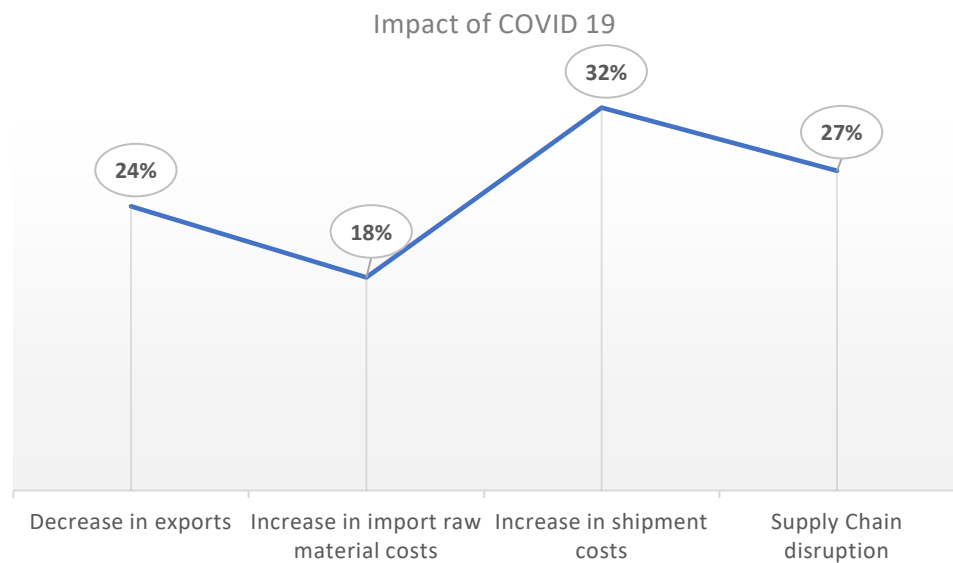
### 15. Constraints Faced by Exporters



Lack of connection to new customers and new markets was the most cited constraint by the respondents accompanied by lack of export finance alternatives. Regarding constraints such as limited supplier base and payment delays, the respondent group cited relatively low levels of concerns.

### 16. Impact of COVID 19

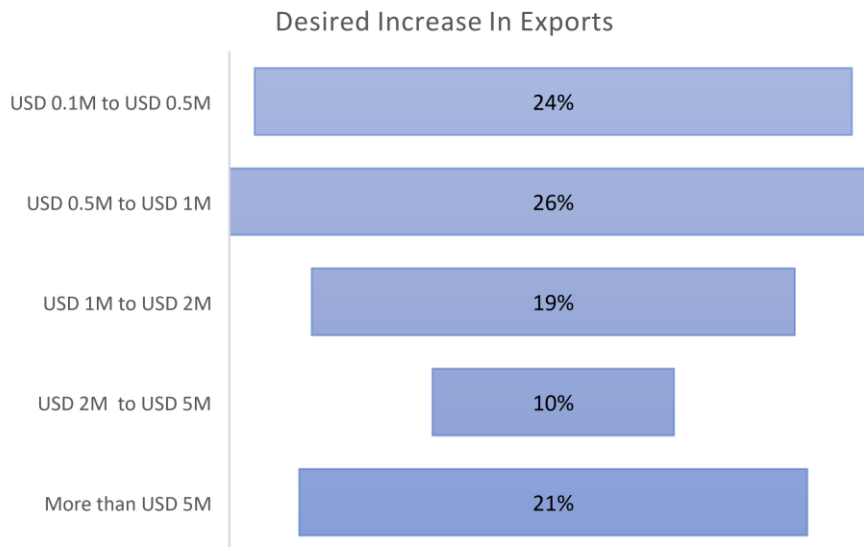
No surprise that respondents affirmed the prevalent impact of the Covid-19 pandemic is the supply chain disruption and increase in shipment costs.



\*All figures are in USD

## 17. Aspiration to Increase Exports

The objective of the survey is to provide a starting point of understanding factors that influence post-shipment financing preferences and circumstances of Indian corporates. The larger picture is to support the growth of financing products, and availability of financing from banks and financing institutions. On growth aspirations, the corporates were asked to quantify the desire to increase exports and many aspired to increasing exports by 100K USD to 1M USD.



### III. Survey Findings Summary

The inaugural installment of the 360<sup>tf</sup> Export Finance Survey marks the initiation of a comprehensive sequence of surveys aimed at comprehending the current state of exporter businesses, the challenges they encounter, and their considerations and alternatives regarding financing. In collaboration with FCI, the primary geographical focus for this initial survey is India.

The respondent pool comprised corporate entities representing a diverse range of 21 states within the nation. Data analysis reveals that the most frequent export volume reported by the cohort is 2.5M USD, while most of these corporations have been incorporated for less than 5 years. Notably, the primary business partners engaged by the respondents are principal organizations rather than trading entities.

Regarding shipment characterization, the prevailing pattern in terms of value is shipments up to 1M USD, and in terms of frequency, the dominant range is up to 6 or 24 shipments per year. The most popular trading destinations identified by the respondents include North America, the Middle East, China, and East Africa. Additionally, it is noteworthy that 35% of the respondents do not utilize export credit insurance.

Among the post-shipment financing facilities employed by the surveyed corporations, LC Bill Discounting emerges as the most widely adopted option, while nearly 50% of the respondents indicate that they do not engage in invoice factoring arrangements.

The foremost constraints impeding the growth of exporters are identified as the lack of connectivity to new customers and markets, as well as the dearth of export finance options. These responses offer valuable insights, indicating a significant proportion of the exporting corporations are newcomers, underscoring the necessity for policies and financing alternatives tailored to the needs of novice organizations. Furthermore, the survey highlights the challenges faced by the respondents, including limited knowledge regarding risk mitigation practices and insufficient availability of financing alternatives.

Ultimately, close to 50% of the respondents express that the primary hindrances to business expansion lie in the absence of connections to new customers and markets, as well as the inadequacy of export finance alternatives. The Indian Government's TFP 2023 outlines an export target of 2T USD by 2030, a 120% growth from exports of .78T USD recorded in FY 2022-2023. The realigned policy which reportedly is effective from April 2023 focuses on creating an empowering exporting ecosystem that facilitates trade from the smallest statistically recorded geographical pocket. The export support schemes in the policy range from free of cost representation in global trade shows for connecting to new markets; to financing incentives and subsidies for

raw material import for export. These initiatives align with the needs of exporters as tabulated from the responses of the surveyed group.

#### **IV. Acknowledgements**

We would like to extend our sincerest appreciation to our partner trade associations, participating corporates, and Team FCI, especially Peter Mulroy, Thompson Lui, Tanya Naysmith, and Kyle Mota for their support and collaboration in bringing this survey to fruition. We look forward to building the series in India and other countries with the support of partners such as the FCI.

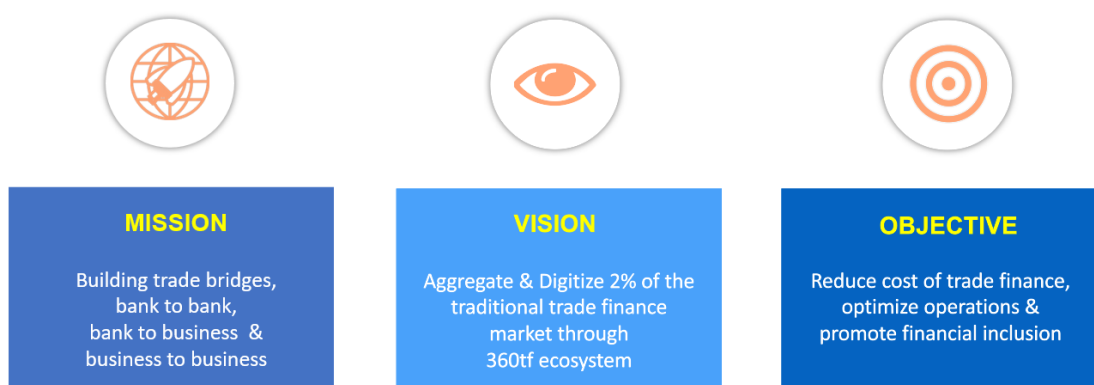
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## VI. About 360<sup>tf</sup>

360<sup>tf</sup> is a Singapore based trade finance services and fintech company with an importer and exporter customer base from 30 countries and trade flows from more than 70 countries. The objective of 360<sup>tf</sup> is to optimize trade financing on the vertex of economics and operations. 360<sup>tf</sup> aggregates trade finance providing institutions, importers, and exporters on one digital platform to enable easy and centralized cross-border trade financing supply-demand. The resulting ecosystem provides financing option visibility, and ease of access and reduces trade finance sourcing lead time. Furthermore, it reduces financing costs for importers and enables them to trade more and source goods and services from widespread geographies. Similarly, it empowers exporters to seek trade partners in unknown geographies and bolster existing trade by accessing cross-border working capital options on a single platform.



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