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CONSTRAINTS IN EXPORT CREDIT FINANCING FOR THE LEATHER INDUSTRY IN VELLORE DISTRICT

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Abstract
Bankers face significant challenges while sanctioning export credit to the leather industry due to high credit risk, strict regulatory and environmental compliance, and volatility in global markets. Inadequate documentation, fluctuating foreign exchange rates, and uncertainty in export orders further delay and complicate the credit sanctioning process. The Main objective of the study is to analyze the Problems faced by the Bankers while Sanctioning Export credit to the leather Industry. Both Primary and Secondary data has been used for the study. The primary data collected fromSBI, Indian overseas bank, Indian Bank, Canara bank and HDFC banks which have more number of bank branches. The sample size for the study is 168. The Multi stage sampling technique used for the study. The findings of the study shows that the most important problems faced by the bankers while sanctioning the loan such as Non-Performing assets and Illiteracy of exporters.

Keywords: Export Credit, Leather Industry, Problems, Bankers, NPA, Procedural Issues.

Introduction

India is the third-largest leather producer in the world after China and Italy. The leather industry occupies a place prominence in the Indian economy on account of its massive potential for employment, growth, and exports. Leather is one of the most widely traded commodities in the world. The leather and leather products industry plays a prominent role in the world's economy with an estimated global trade value of approximately US $ 100 billion per year[2]. In 2016, world leather exports and Imports totally around the US $ 2 billion. The largest exporter and Importer of leather goods were Italy and china respectively. The country ranks second in terms of footwear and leather garments production in the world and accounts for 9 percent of the world's footwear production. The importance of the leather industry in India lies in its becoming an important foreign exchange earner, where 75 percent of the output is exported. It gives more employment opportunities to the people. Export of raw hides and semi-finished leather has been banned from 1991 onwards. This step was taken to increase the export of value-added products and reduce the outgo of commodities with low value. Finished leather is subject to an export duty of 5 percent. Leather products of India command high premium and attention abroad. The liberalized economic and industrial policies of the Indian government have added further fillip to this industry enabling it to reach great heights. The **Council for Leather Export (CLE)** plays a pivotal role in bringing much-needed recognition and reputation for the leather industry of India. CLE is to boost the Indian leather Industries performance in the international market by upgrading its technology.

Review of Literature:

Prakasam (2024)[1], in their article said that "Impact of GST on Leather Manufacturing sector in Vellore district", the researcher concluded that current situation is threatening to take away the business of the Indian leather industry,particularly in Vellore District of Tamil Naduto countries like Bangladesh, Vietnam and Indonesia. The industry is also facing a worldwide recession and fresh challenges in the form of the emergence of strong production centers in Eastern Europe. Loss of competitiveness due to

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GST issues will be a huge loss to the leather industry which currently has an annual export turnover of $5.6 billion and employment of about 4.5 million, with predominant women employment. Thus, from the above study, we can say that GST has a negative impact on Leather Industry in Vellore District and there is an urgent need for government interventions in order to protect the interests of the leather industry and to achieve envisaged 10 percent export growth.

Gayathri at.el(2020)[2], in their article, examined the "Impact of leather industries in undivided Vellore district – brief study", the researcher concluded that Any development without the health of the community is not acceptable. Any kind of industrial or economic growth after victimizing the life of the public will not provide any fortune to the nation. Therefore, the researcher concluded that such kind of contamination is creating cascade effects to the present generation as well as the generations in the future and there is a need to discover the traditional form of leather manufacturing and even the same should not be established in a residential area. It is the responsibility of the local administration to ensure a healthy atmosphere by monitoring the functioning of leather manufacturing units and reduction of dangerous chemical residues.

Kavitha and G.P.Ganapathy(2019)[3] in their article examined that "Tannery Process and its environmental impacts a case study: Vellore District,Tamil Nadu", Leather and its products are the sources of employment, export and foreign exchange earnings for many developing countries. Leather industries are often blamed for the environmental damage it creates. In the absence of tanneries, the slaughter houses would have faced serious disposal problems of skin and hides and resulted in environmental disaster. Cleaner technologies are applied to reduce the environmental impact of leather production. With the cleaner technologies followed in many tanneries, they are successfully operated in the centers of the cities. The main objective of the present study is to understand the leather process and its various environmental impacts related to it. The water consumption for the production of leather from one tone of raw hides is around 15000 to 40000 litres and 110 to 260 litres per sheep skin. Quality chemicals and optimum dosing in every process can lead to lower pollution level and thus reduce the environmental impact. Environment friendly advanced technologies are followed in the tanneries on the basis of recycling and recovering techniques that lead to the improvement of leather quality. The wastewater from the tanneries been treated in the effluent treatment plants using Reverse Osmosis (RO) technology and converted into reusable water for the tannery processes and the reject from the RO treatment being evaporated either by solar system or by mechanical evaporation and converted into salt. Thus the environmental impact of tannery industry in Tamil Nadu, India has drastically reduced by achieving Zero Liquid Discharge system.

Sen Gupta and Keshari (2019)[4], in their article examined that "Study of Export Trade Financing in India with Particular Reference to Commercial Banks: Problems and Prospects", Exports are instrumental in the development of an economy, particularly developingnations. The Indian Financial System, through commercial bank offer financial resourcesfor promoting exports by providing both pre and post shipment finances. LERMS andFull –convertibility on trade account of Indian rupee have provided importers to exportfinancing, so also the New Trade Policy, provides a Favourable climate for exports.

Research Gap

From the reviews of above literature, it is observed that there has been plenty of research studies conducted in the area of Leather industry. Most of the studies were carried out on export performance on leather industry. So far no research study was available on the Problems faced by the Bankers while

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Sanctioning Export credit to the leather Industry by commercial banks in Vellore district. In order to fill up this research gap, the present study has been undertaken by the researcher.

Research Methodology

Research methodology is the scientific approach to validate the research design. It is the process by which the researcher produces authentic research findings. The methodology part provides details about the research design for the study, the nature and source of data collected for the study and details about the research instrument used. Further, it provides a brief description of the variables used for the study and provides details about the various tests employed to establish the reliability and validity of the collected data for the purpose of data analysis. Finally, it provides details about the statistical package and statistical tools used for analyzing the data to empirically test the hypotheses based on the objective of the study.

Research Design

The research carried out by the researcher is both descriptive and analytical in nature. This type of research is mainly concerned with description of facts. This study is called descriptive since it describes the **Problems faced by the Bankers while Sanctioning Export credit to the leather Industry.**

Variables Used

Variables of the study are identified with the help of review of literature. The present study uses two major types of variables such as demographic variables and research variables. The demographic variables include the type of bank, Age, Qualification, Year of Experience, Designation of the banker. Research Variables are Problems.

Study Unit of Research

There are 32 districts in Tamil Nadu. The researcher has selected Vellore districts of Tamil Nadu as study area. Because Vellore district is one of the top exporter of finished leather goods in the country.

Population of the study

The researcher collected data from bankers. The researcher has chosen Vellore districts in Tamil Nadu. Nine taluks from Vellore districts were selected on the basis of higher number of bank branches in each district. There are 51 commercial banks in Tamil Nadu. The researcher has considered only five commercial banks on the basis of those bank have higher number of bank branches such as SBI, Indian overseas bank, Indian Bank, Canara bank and HDFC banks.

Table No.1.1: Total Number of Bank Branches in Vellore Districts of Tamil Nadu

S.No	District Name	Bank Name	Branches	Total
1	VELLORE	Indian Bank	56	**168**
2		Indian Overseas Bank	31	
3		State Bank of India	58	
4		Canara Bank	15	
5		HDFC Bank	8	

Source: SLBC in Tamil Nadu

Sources of Data: The primary data were collected using structured questionnaire. Face to face, self-administered, was used as a data collection tool to collect the data from Bankers and Secondary data were collected from Reserve bank of India Websites & EXIM report.

Sample Size: The sample size for the study is 168.

Sampling Technique: Multi - stage random sampling method is used to draw required samples for the study.

Tools used for the Analysis: The tools used for the analysis is percentage analysis and ANOVA.

Data Analysis and Interpretation

Problems Faced by the Bankers While Sanctioning Export Finance- Factor Analysis: Export finance plays a crucial role in enabling exporters in accepting and efficiently executing their export orders. Export credit is required for short periods before and after the dispatch/shipment of an order. While the pre-shipment export finance is required as working capital for accomplishing timely production, packing, and shipment of the orders, the post-shipment finance facilities sustaining exporters' business operations while still waiting to receive payments due from foreign buyers. Commercial banks play a major role in providing export credit. Even though they provide loan to exporters the banks faces different problems. But researcher was identified 12 risks and asked the respondents to give their responses in likert scaling with the attributes of strongly agree, agree, neither agree nor disagree, disagree and strongly disagree. There are 12 risks were involved in export credit. In order to understand the similarity of statements and named as groups among the 12 statements factor analysis have been used. Factor analysis consist of Kaiser-Mayer-Olkin (KMO) and Bartlett's test, principal component extraction method with the rotation of Varimax with Kaiser Rotation method with the objective of to identify the groups among the problems faced by the bankers while sanctioning export finance.

The researcher has used the multivariate technique by the name **"factor analysis"** is to classify the related variables. Factor analysis is a multivariable statistical technique that explains the inert relationship among the total set of observed variables. Factor analysis is a way of grouping variables based on the criteria of common characteristics, which would serve as a common denominator for such a classification. It is an analytical tool, which can aid in the preliminary investigation and the interpretation of the relationship among a large number of inter-related and inter-dependent variables. The primary purpose of factor analysis is the resolution of a set of observed variables in terms of new categories called factors. Before grouping the variable, the normality has to be ascertained. Hence for ascertaining the normality KMO has been used.The (KMO) measure of sampling adequacy index is used to examine whether the data are appropriate to examine the factor analysis. KMO values between 0.8 and 1 indicate the sampling is adequate; KMO values fall below .6 means the data is inadequate for the factor analysis. Bartlett's test of sphericity is a test statistics used to examine the shape of normal distribution and also verify the smoothness of the curve.

Table 1.2

Online purchase and its risks-KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.900
Bartlett's Test of Sphericity	Approx. Chi-Square	5340.118
	Df	91
	Sig.	.001

Source: Primary Data

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Table 1.2 explain the results of KMO and Bartlett's test. KMO value .900 indicates the sample size take for the factor analysis adequate. The P value of .001 of Bartlett's Test of Sphericity denotes the data is normally distributed and associated among them.

Problems faced by the bankers while sanctioning export finance -Communalities

Communalities have been used to identify the percentage of correlation relationship among the variables. The principal component analysis has been used to grouping the factor of online purchase and its risks. It is a method of data reduction. The proportion of the variance of particular item due to common factor is called as communality. The initial value of the communality in a principal component analysis is 1. Problems faced by bankers while providing export credit and its risk is mentioned in the component column. The extraction communalities estimate the variance in each variable accounted for the factors in the factor solution. The value is less than .5 indicates variables that do not fit well with the factor solution and should possibly be dropped from the analysis.

Table 1.2: Problems Faced By The Bankers While Sanctioning Export Finance -Communalities

Communalities		
Components	**Initial**	**Extraction**
Increasing Demand for Export Credit	1.000	.542
Problem of Over Dues	1.000	.590
Non- Performing assets	1.000	.782
Unhealthy Competition & Lack of Coordination	1.000	.711
Procedural Issues	1.000	.545
Political Interference	1.000	.587
Absence of Proper Control Mechanism	1.000	.632
Inadequate Staff	1.000	.655
Higher Transaction Cost	1.000	.727
Illiteracy of exporters	1.000	.718
Banks are not able to check the proper utilization of credit	1.000	.726
Fixing Prudential norms	1.000	.620
Extraction Method: Principal Component Analysis.		

Source: Primary Data

Table1.2 explains the communalities value of export credit and its risks. Communalities values are useful to understand the correlation relationship among the 14 risks involved in online shopping. Communalities values for all the 12 risks are fall within .542 to .782. It means all the variables are having the correlation relationship of above 50 percent with another variable. So here all the variables can be taken for the factor analysis.

Problems faced by the bankers while sanctioning export finance -Total Variance

The total variance analysis is important to know the rotated sum of square value. The cumulative variance of the rotated sum of square loading should be more than 50 percent. Eigen values are useful to identify number of factors rotated from the 14 statements with respect to problems and its risks. The variables of Eigen values greater than one is determining the number of factors rotated. Table 4.26 contain the result of Eigen value and rotated sum of square loadings.

Table 1.4: Problems Faced By Bankers While Sanctioning Export Finance-Total Variance

Total Variance Explained						
	Initial Eigenvalues			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.608	47.196	47.196	4.264	30.456	30.456
2	1.523	10.879	58.076	2.984	21.314	51.771
3	1.005	7.181	65.257	1.888	13.486	65.257
4	.948	6.774	72.031	1.567	11.871	62.358
5	.859	6.136	78.167			
6	.558	3.989	82.156			
7	.446	3.189	85.345			
8	.401	2.864	88.209			
9	.373	2.668	90.877			
10	.354	2.526	93.403			
11	.279	1.996	95.399			
12	.254	1.811	97.210			
Extraction Method: Principal Component Analysis.						

Table 1.4 explain the results of total variance. The cumulative rotated sum of square loading is 65.257, it is above with the benchmark value of 50 percent. Hence it is confirmed that factor analysis is meaningful one. Eigen values of 6.608, 1.523 and 1.005 are greater than one; it means all the 14 statements are rotated into three factors.

Problems faced by the bankers while sanctioning export finance -Rotated Component Matrix: Rotated component matrix is useful to identify the groups among the 12 risks involved in online purchase. Table 1.5 explain the rotated component matrix result of the factor analysis.

Table 1.5: Problems Faced By The Bankers While Sanctioning Export Finance -Rotated Component Matrix

Statements	Factors 1	Factors 2	Factors 3	Factor 4
Increasing Demand for Export Credit	.786			
Procedural Issues	.721			
Illiteracy of exporters	.651			
Unhealthy Competition & Lack of Coordination		.751		
Problem of Over Dues		.821		
Political Interference		.721		
Absence of Proper Control Mechanism			.651	
Inadequate Staff			.631	
Higher Transaction Cost			.751	
Non- Performing assets				.831
Banks are not able to check the proper utilization of credit				.821
Fixing Prudential norms				.762
Rotation Method: Varimax with Kaiser Normalization Rotation Method				

Procedural Problems: The first factor consists of three variables namely; Increasing Demand for Export Credit (**.786**), Procedural Issues**(.721**),and Illiteracy of exporters**(.651)**all these factors are considered as **"Procedural Problems"**.Among these three variables, Increasing demand is the most important problems faced by the bankers while sanctioning export finance.

Over Due Problems: The second factor consists of three variables namely; Unhealthy Competition & Lack of Coordination**(.751),**Problem of Over Dues (.821) and Political Interference (.721) all these variables are considered as "**Over Due Problems***".* Among these three variables problems of over dues is the most important problems faced by the bankers while sanctioning export finance.

Administrative Problems: The third factor consists of three variables namely;Absence of Proper Control Mechanism (.651),Inadequate Staff (.631) and Higher Transaction Cost (.751) all these variables are considered **"Administrative Problems".** Among these three variables, higher transaction cost are the most important problems faced by the bankers while sanctioning export finance.

NPA Problems: The fourth factor consists of three variables namely; Non- Performing assets (.831), Banks are not able to check the proper utilization of credit (.821) and Fixing Prudential norms (.721) all these variables are considered **"NPA Problems".**Among these three variables, Non- Performing assetsare the most important problems faced by the bankers while sanctioning export finance.

Difference Between Type of Bank And Problems Faced By The Bankers While Sanctioning Export Finance – One Way Anova: Through the factor analysis, it is identified that**procedural problems**, **Over Due Problems,Administrative Problems, and NPA Problems** are considered the dependent variables. Bank profile such as types of bank has more influence the problems faced by bankers. Therefore the type of bank is considered an independent variable. The types of bank classified are Public sector bank and Private sector bank. ANOVA is a specific tool to measure the significant difference or variance among more than two groups. To know the level of significant difference between the type of bank and problems faced by the bankers, ANOVA has been used. It is a method used to measure the total variance of the groups. The total variances are split into two components such as variation within a group of samples such as type of bank and variation between the groups of samples such as type of bank.

For computing the F value the following formula has been used

$$F = \frac{\textbf{Between column variance}}{\textbf{Within column variance}}$$

Ho: There is no significant difference between the type of bank and problems faced by bankers while sanctioning export finance.

Table 1.6: Difference Between The Type of The Bank And Problems Faced By The Bankers While Sanctioning Export Finance

S. No	Factors		Sum of Squares	Df	Mean Square	F	Sig.
1	**Procedural Problems**	Between Groups	0.84526	2	0.24	0.641	.001*
		Within Groups	141.5867	202	0.641		
		Total	142.4319	206	0.881		

2	**OverDue Problems**	Between Groups	6.167	2	2.152	6.871	.001*****
		Within Groups	143.547	204	0.456		
		Total	149.714	206	2.608		
3	**Administrative Problems**	Between Groups	45.515	2	14.812	21.975	.000*****
		Within Groups	302.675	204	0.686		
		Total	348.190	206	15.498		
4	**NPA Problems**	Between Groups	26.606	2	12.364	15.507	.000*
		Within Groups	254.248	204	0.587		
		Total	280.854	206	12.951		

Source: Primary Data

Interpretation

1. From the results of the one-way Anova test, the researcher tries to find the difference between mean scores on problems faced by bankers while sanctioning export credit and the different type of bank **[F. (3,196) = 0.641, P=0.01]** Since the "P" value is lesser than 0.05 the null hypothesis is rejected at a 5% level of significance and so it can be concluded that there exists a significant difference between the type of bank and Procedural Problems.
2. It is found from the results of the one-way Anova test, testing if there is any difference between mean scores on problems faced by bankers while sanctioning export credit and
3. different type of bank [**F. (3,196) = 6.687, P=0.01]** Since the**"P**"value is lesser than 0.05 the null hypothesis is rejected at 5% level of significance and so it is concluded that there exists a significant difference between the type of bank and Overdue Problems.
4. It is found from the results of the one-way Anova test, testing if there is any difference between mean scores on problems faced by bankers while sanctioning export credit and the different type of bank [**F. (3,196) = 21.975, P=0.01]** Since the **"P"** value is lesser than 0.05 the null hypothesis is rejected at 5% level of significance and so it is concluded that there exists a significant difference between the type of bank and Administrative Problems.
5. It is found from the results of one-way Anova test, testing if there is any the difference if any between mean scores on problems faced by bankers while sanctioning export credit
6. and the different type of bank [**F. (3,196) = 6.387, P=0.01]** Since the "P" value is lesser than 0.05 the null hypothesis is rejected at a 5% level of significance and so it is concluded that there exists a significant difference between the type of bank and NPA problems.

Conclusion

The study reveals that bankers face several critical challenges while sanctioning export credit to the leather industry. Major problems include stringent regulatory and compliance requirements, fluctuations in foreign exchange rates, and the high risk associated with international trade. Inadequate financial documentation, lack of transparency in export orders, and poor credit history of some exporters further delay the sanctioning process. Additionally, environmental compliance issues, changing global demand, and price volatility in raw materials add to the uncertainty faced by bankers. Operational constraints

such as limited expertise in export financing, lengthy appraisal procedures, and pressure to meet regulatory norms also hinder timely credit approval. Therefore, to improve the effectiveness of export credit delivery, there is a need for simplified procedures, enhanced risk assessment mechanisms, better coordination between banks and export promotion agencies, and capacity-building programs for bankers dealing with export finance in the leather industry.

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