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Analysis of the Effect of EXIM Bank Efficiency on Non-Oil Export

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EXTENDED ABSTRACT

INTRODUCTION

In the present era, banking is one of the most important sectors of the economy, which has led to the expansion of markets and the growth and prosperity of economies in organizing and directing receipts and payments, facilitating trade and commerce. Banks can play a very constructive role in the economy by equipping savings and allocating them to various businesses. Export Development Bank of Iran, as the only Exim Bank of the country, can increase its efficiency by paying low-cost loans to export companies and providing the required working capital, as well as financing investment projects and development projects to increase export capacity. and their competitiveness in global markets will help a lot.

Seven criteria for evaluating firm performance are: effectiveness, efficiency, productivity, quality, profitability and Profitability, quality of working life and creativity and innovation.

The amount of output produced by the firm using a certain amount of inputs is called productivity. Thus, improving the level of productivity is the result of producing more output using a fixed amount of input or producing a fixed amount of output using less input.

METHODOLOGY

The following steps have been taken in the research for fulfilling the research objectives:

In the first step, in order to evaluate bank's performance, the efficiency of various branches was measured using Stochastic Frontier Production Function. Accordingly, 27 branches with continuous activity during the

past three years were selected as sample and their monthly efficiency was estimated. For measuring branches' efficiency, bank's expenses were considered as a function of input and output variables and then estimated using Frontier 4 software. finally non-operating and operating incomes, as outputs, and impairment loan, provision of default and branches' capital, as bank's inputs, were identified.

FINDINGS

As mentioned above, econometric estimation of cost function requires selection of function form. the translog function has been used to experimentally estimate cost inefficiency .also, the model was estimated with different inputs and outputs.the model was also estimated with different inputs and outputs. the general form of the function is as follows.

$$\ln(TC) = \alpha_0 + \sum_{i=1}^2 \alpha_i \ln(Q_i) + \sum_{j=1}^2 \beta_j \ln(P_j) + u_{it} + v_{it}$$

$$i = 1, 2, \dots, t = 1, 2, \dots$$

$$\ln(TC) = \alpha_0 + \sum_{i=1}^2 \alpha_i \ln(Q_i) + \sum_{j=1}^2 \beta_j \ln(P_j) + \sum_{i=1}^2 \alpha_{ii} (\ln Q_i)^2$$

$$+ \sum_{i=1}^2 \beta_{jj} (\ln P_j)^2$$

$$+ \sum_{i=1}^2 \sum_{j=1}^2 \gamma_{ij} (\ln Q_i)(\ln P_j) + u_{it} + v_{it}$$

$$, i = 1, 2, \dots, t = 1, 2, \dots,$$

TC_{it} is the total cost of i th bank, Q_{it} is output, P_{jit} is input price, U_{it} is cost inefficiency and v_{it} is Statistical error with zero mean and constant variance. $\ln(TC)$, α , β are unknown parameters that Should be estimated.

CONCLUSION

Whereas inputs aproved in the above model for estimating branches' efficiency include branches' capital, impairment loans and provision of

default branches' facilities, six strategies are suggested for improving branches' efficiency and developing non-oil exports.

a) Increasing the bank's capital continuity over time: The capital of the Export Development Bank is an exogenous variable due to the Being governmental bank, and increasing the bank's capital requires direct government support. In order to provide practical support for the country's exports, the government needs to try to expand the financing capacity of the Export Development Bank over time with the bank's capital.

b) Although a slight decrease in the exchange rate of the rial against other currencies leads to an increase in the competitiveness of export goods and services, however, this advantage, through the occurrence of high domestic inflation, leads to an increase in the price of export goods and services and reduces the competitiveness of export products globally and against imported products. Therefore, the central bank should strictly avoid applying monetary policies that result in inflation in the economy..

c) The Central Bank is trying to reduce the restrictions of the rules and regulations related to commercial banks in Exim Bank Iran.

d) Reduction and merger of loss-making branches that are unable to cover their costs due to the location and conditions of the branch.

e) Increasing the productivity of human and physical capital by holding effective training courses and revising the recruitment and employment of manpower in a traditional way and using scientific methods to attract talented, specialized, motivated and interested manpower, etc.

f) The government should avoid appointing non-bank managers, especially at the level of the bank's board of directors and CEO, who do not have the necessary banking expertise, knowledge and familiarity with the bank's mission, culture, values and vision.

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