



**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**

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**RBI Working Paper No. 02/2019:**  
**Cross-border Trade Credit: A Post-Crisis Empirical**  
**Analysis for India**

The Reserve Bank of India today placed on its website a Working Paper titled "[Cross-border Trade Credit: A Post-Crisis Empirical Analysis for India](#)" under the Reserve Bank of India Working Paper Series\*. The Paper is authored by Rajeev Jain, Dhirendra Gajbhiye and Soumasree Tewari.

The paper profiles trade credit extended by domestic and foreign banks to Indian importers by focusing on its size, composition and cost pattern. Using a panel data of 55 banks for 2007-08:Q1 to 2016-17:Q4, the paper finds that both demand and supply-side factors influence the flow of trade credit. The paper suggests that higher imports – whether due to high prices or volumes – lead to an increase in trade credit. From the supply-side perspective, financial health of banks, cost of trade credit and size of their overseas network seem to influence their trade credit operations. The empirical findings of the paper suggest that the banks need to expand their global banking relationship and shift towards the use of globally accepted trade finance instruments instead of indigenous instruments (*i.e.*, LoUs /LoCs) which, however, may push up the cost.

*\* The Reserve Bank of India introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the Reserve Bank and are disseminated to elicit comments and further debate. The views expressed in these papers are those of authors and not of the Reserve Bank of India. Comments and observations may kindly be forwarded to authors. Citation and use of such papers should take into account its provisional character.*

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